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IN THE

SUPREME COURT OF THE

UNITED STATES

October Term 1969

FRIEND AND COMPANY
and WILBER H. FRIEND,

941

Petitioners,

vs.

H. A. FRIEND AND COMPANY, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

ANGUS & MON
D. GORDON ANGUS

234 East Colorado Boulevard
Pasadena, California 91101
(213) MUrray 1-5494

Attorneys for Petitioners

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Attorneys for Petitioners

TOPICAL INDEX

	Page
The Opinions of the Court Below	2
JURISDICTION	2
QUESTIONS PRESENTED	3
Constitution Provisions and Statutes Involved	4
CONCISE STATEMENT OF THE CASE	5
REASONS FOR THE ALLOWANCE OF THE WRIT OF CERTIORARI.	9
I REASONS PERTAINING TO QUESTIONS 1, 2 and 3.	9
II REASONS PERTAINING TO QUESTION 4	20
III REASONS PERTAINING TO QUESTIONS 5 and 6	25
CONCLUSION	30
APPENDIX "A"	A-1
APPENDIX "B"	B-1

TABLE OF AUTHORITIES

Cases

	Page
American Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 281 (6th Cir. 1900)	23
Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 12 L. Ed. 2d 457	25
Chamberlain v. Columbia Pictures Corp., 186 F. 2d 923	20, 21, 24
Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234	17
Coupe v. Royer, 155 U.S. 565, 39 L. Ed. 263 (1884)	25
Eastman Kodak Co. v. Southern Photo Materials, 273 U.S. 359	25, 27
Fleischmann Distilling Corp. v. Meier Brewing Co., 314 F. 2d 149	15
Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U.S. 714, 18 L. Ed. 2d 475, 87 S. Ct. 1404	3, 9, 10, 13-18

General Pool Corp. v. Hallmark Pool Corp., 259 F. Supp. 383 (N. D. Ill. 1966) 24

Glen v. Advertising Publications, Inc., 251 F. Supp. 889 (S. D. N. Y. 1966) 24

Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D. C. 1955), aff'd 230 F. 2d 832, cert. denied 352 U. S. 829 24

Harley and Lund Corp. v. Murray Rubber Co., 31 F. 2d 932 (2nd Cir. 1969), cert. denied 279 U. S. 872, 73 L. Ed. 1007 (1929) 25

L'Aiglon Apparel, Inc. v. Lana Lobelle, Inc., 214 F. 2d 649 (3rd Cir. 1954) 24

Lear Siegler, Inc. v. Adkins, __U. S. __, 23 L. Ed. 2d 610 17

Meier Brewing Co. v. Fleischmann Distilling Corp., 359 F. 2d 156 (9th Cir. 1966) 15, 16

Mosler Safe Co. v. Ely-Norris Safe Co., 273 U. S. 132, 71 L. Ed. 578 23

National Van Lines v. Dean, 237 F. 2d 688 (9th Cir. 1956) 12, 13

Samson Crane Company v. Union National Sales, Incorporated, et al., 180 F. 2d 896 (1950) 20, 21, 24

Sears, Roebuck & Co. v. Stiffel Co., 376 U. S. 225 17

Story Parchment Co. v. Patterson Parchment Paper Co., 282 U. S. 555, 51 S. Ct. 248, 75 L. Ed. 544 25, 27

Textron, Inc. v. Spi-Dell Watch and Jewelry Co., Inc., 406 F. 2d 544 (2nd Cir. 1968) 9, 18

Wolfe v. National Lead Co., 272 F. 2d 867 16

Constitution

United States Constitution:

Article I, §8, Clause 3 4, 17

Statutes

California Business & Professions Code:

Division 6, Chapter 1 (§14, 100 to 14, 103) 14

Division 6, Chapter 2 (§14, 200 to 14, 342) 14

Division 6, Chapter 3 (§14, 400 to 14, 491) 14

Statutes (Continued)

California Business & Professions Code:
Chapter 4, Part 2
§17,000 to 17,101 13

§17040 13

§17043 13

§17044 13

§17045 13

§17079 13

§17082 4-5, 8, 13, 14

California Business & Professions Code,
Chapter 4, Part 2, Division 7 13, 14

California Civil Code:

§3369 5, 14

New York General Business Law,
§368-d 19

15 U.S.C., §14 et seq.
(Federal Clayton Act) 3

15 U.S.C., §1025(a) 20

15 U.S.C. §§1051 et seq.
(Lanham Act) 3

Statutes (Continued)

15 U.S.C. §1114(1)
(Lanham Act §32(1) 4, 11, 12

15 U.S.C. §1117
(Lanham Act §35) 4, 8, 9, 11

15 U.S.C. §1125(a)
(Lanham Act §43(a) 4, 8, 11, 20, 21, 24, 30

15 U.S.C. §1126(g)
(Lanham Act §44(g) 4, 12

15 U.S.C. §1126(h)
(Lanham Act §44(h) 4

15 U.S.C. §1126(i)
(Lanham Act §44(i) 4

15 U.S.C. §1127 4, 18

28 U.S.C. §1254 3

Rules

Federal Rules of Civil Procedure:
Rule 9(g) 4, 23

Miscellaneous

Federal Trademark Act of 1946
(Lanham Act) 5

Lanham Act §43(a) 24, 25

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TO THE HONORABLE THE CHIEF JUSTICE
AND ASSOCIATE JUSTICES OF THE
SUPREME COURT OF THE UNITEDSTATES:

Petitioners, Friend and Company and Wilber H. Friend, respectfully pray that a writ of certiorari issue to the Court of Appeals for the Ninth Circuit to review the decree of that Court affirming the judgment of the United States District Court for the Central District of California in two suits which were combined

for the trial and the appeal.

The Opinions of the Courts Below.

The opinion of the Court of Appeals for the Ninth Circuit (A. p. 1) 1/ is reported at ___ F. 2d ___, 163 U.S.P.Q. 159, and appears in the record filed herewith (A. p. 1). The Memorandum of Decision of the District Court constituting findings of fact and conclusions of law is reported at 276 F. Supp. 707, and is in the record (R.T. 461) (A. p. 20).

JURISDICTION

The grounds for jurisdiction are:

(i) The decree of the Court of Appeals was filed September 12, 1969 (A. p. 1).

1/ References herein are as follows: "A or B [page number]" refers to pages of appendix A or B to this petition, "C.T. [page number]" refers to pages of the Clerk's Transcript from the United States District Court for the Central District of California. "R.T. [page number]" refers to pages of the Reporter's Transcript from the United States District Court for the Central District of California. "Ex. [number or letter]" refers to exhibits admitted in evidence by the United States District Court for the Central District of California.

(ii) A timely Petition for Rehearing filed September 26, 1969, was denied November 3, 1969 (A. p. 19).

(iii) The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254.

QUESTIONS PRESENTED

Question 1. Is the ruling in Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U.S. 714, 18 L.Ed.2d 475, 87 S. Ct. 1404, denying an award of attorney's fees in an action brought under the Lanham Act, (15 U.S.C. 1051 et seq.), applicable to suits for (1) trademark infringement and unfair competition, and (2) misdescriptions of cotton fiber content of stationery paper, both brought under the Lanham Act.

Question 2. Does the existence of any state statute or law permitting attorneys' fees, overcome the ruling of the Fleischmann Distilling Corp. case forbidding an award of attorneys' fees in cases brought under the Lanham Act.

Question 3. Does the existence of a state statute allowing attorneys' fees in cases of improper trade practice analogous to those covered by the Federal Clayton Act (15 U.S.C. 14 et seq.) overcome the prohibition against attorneys' fees established in the Fleischmann Distilling Corp. case.

Question 4. Does the selling of stationery paper of lower cotton fiber content than that by which it has been advertised, violate Lanham Act Section 43 (15 U. S. C. 1125(a) (B. p. 3).

Question 5. Are awards of money damages by a court proper in a case of trademark infringement or misdescriptions of cotton fiber content of stationery paper where there is no evidence or indication as to how the amount of the damages are computed, calculated or estimated.

Question 6. Is an award of monetary damages for selling stationery of lower cotton fiber content than advertised, proper where based on a possibility of awareness by customers, of the lower cotton fiber content, because of deterioration through yellowing, where the deterioration will not commence until twenty five years or fifty years after the sale and no special damages were even pleaded.

Constitution Provisions and Statutes Involved

The case involves the purposes and provisions of the Constitution of the United States and the Trademark Laws of the United States and California laws governing unfair practices. The Constitutional provision is Article 1, Section 8, Clause 3 (B. p. 1). The Statutes under which this case arises which are necessary to be considered are 15 U. S. C. Sections 1114(1), 117, 1125(a), 1126(g), 1126(h), 1126(i), and portions of 1127 (B. pp. 1-6), California Business and Professions Code Section 17082 (B. p. 6), and California Civil Code, Section 3369 (B. p. 7), and

Rule 9(g) F. R. Civ. P. (B. p. 7).

CONCISE STATEMENT OF THE CASE

The decree of the Court of Appeals was rendered in two civil actions, both brought by Respondent against Petitioners in the United States District Court for the Central District of California to determine issues of validity, infringement and damages in respect to trademarks and unfair competition relating to stationery paper; and also issues of misrepresentation of cotton fiber content of stationery paper and damages related thereto. Jurisdiction of the District Court was based on the Federal Trademark Act of 1946, the Lanham Act, and also on diversity of citizenship.

The first of the two suits was filed on June 17, 1964, for infringement of the trademark "FRIENDS," Registration No. 655, 848, issued December 17, 1957, and "BARRISTER BOND," Reg. No. 274, 875, issued September 9, 1930, and the unregistered mark "BANNER," and demanded injunctions against Petitioner's use of these marks and of the business names Friend and Company and Friend Paper Company. Other causes of action presented are not material to the matters presented here.

A second suit, alleging the misrepresentation of the cotton fiber content, was filed

March 16, 1966, during the pendency of the first suit.

Both suits involve four brothers named Friend. One of them, Wilber H. Friend, is the Petitioner herein, and the other three brothers are the owners, directors and officers of the Respondent, H. A. Friend and Company, Inc. The father, Harley A. Friend, started the predecessor of the Respondent in Zion, Illinois under the same name, H. A. Friend and Company, as a sole proprietorship in the business of selling stationery paper at retail, largely to lawyers, and mostly in the mid-western states. In the course of time the four sons were admitted as partners to the business, and on December 31, 1948, Wilber Friend left the partnership.

A number of the papers carried by H. A. Friend and Company bore water marks in the paper or names on the packages containing them. Among these were the marks Friends and Barrister Bond as water marks in the paper and the mark Banner Bond on packages of other papers. During the 1930's a wholesale paper operation was set up and operated by Wilber Friend with the name Friend Paper Company beginning at a time when he was an employee of his father and continuing in the same way after he became a partner. Most of the sales of Friend Paper Company were to H. A. Friend and Co. Petitioner's contention that Friend Paper Company was the sole proprietorship of Wilber Friend, and to his father's knowledge was rejected by the Courts below,

which accepted Respondent's contrary contention that Friend Paper Company although operated as a wholesale business and separate from the retail business, was really part of H. A. Friend and Company up to January 1949.

The Courts below found that after leaving H. A. Friend and Company partnership in January 1949, Wilber Friend continued the operation of the wholesale business as his sole proprietorship and with the name Friend Paper Company, and that H. A. Friend and Company had acquiesced and permitted him to do this.

Later in 1949 Wilber Friend moved from Zion, Illinois to Pasadena, California, where he continued the Friend Paper Company business and also commenced a retail stationery paper business with the name Friend and Company which sold stationery paper in the western states where Respondent had penetrated to only a relatively slight degree. After leaving H. A. Friend and Company, Wilber Friend as proprietor of the wholesale business Friend Paper Company handled papers some of which bore the marks Friend, Barrister Bond and Banner Bond, believing that he had a right to handle them as well as H. A. Friend and Company which at that time did not have any registration or application for registration of Friends or of Banner Bond. The registration for Barrister Bond was owned by Gilbert Paper Company, a paper mill, until shortly before the trial of these actions, during the pendency of these suits, at which time it was purportedly assigned to Respondent.

A large part of the paper handled by Friend and Company was obtained from Friend Paper Company and sold at retail in the far western states, largely to lawyers.

The Court of Appeals affirmed the District Court's decision that Petitioners had infringed the trademarks Friends, Barrister Bond and Banner Bond and upheld the injunction against their use including use of the name Friend and Company. Use of the name Friend Paper Company for the wholesale business was not enjoined in view of Respondent's acquiescence in its use.

In addition to the injunctions, the District Court's money judgment, awarded on the basis of deliberate infringement, was affirmed by the Court of Appeals, as follows:

Five Thousand Dollars, trebled to Fifteen Thousand Dollars under 15 U.S.C. Section 1117 (B. p. 2), on account of the "acts of trademark infringement"; and Twenty Thousand Dollars as damages for misrepresentations of the cotton fiber content, under 15 U.S.C. Section 1125(a) (B. p. 3); and Thirty Thousand Dollars "for attorneys' fees reasonably incurred in prosecuting these actions", on the ground that unfair competition is state law and there is a state statute, Section 17082 of the California Business and Professions Code (B. p. 6) authorizing attorneys' fees. Section 17082 is part of and pertains to a part of that code designated "Unfair Trade Practices" including such conduct as price discriminations, rebates and

the like, but not including trademark infringement or unfair competition or false representations of quality of goods.

No special damages were pleaded (Ct. 230, 302).

REASONS FOR THE ALLOWANCE OF THE WRIT OF CERTIORARI

I

REASONS PERTAINING TO QUESTIONS 1, 2 and 3

The Court of Appeals in allowing the Thirty Thousand Dollars attorneys' fees in these cases in which all relief was under the Lanham Act, has rendered a decision in conflict with: (a) Lanham Act, Section 35 (15 U. S. C. Section 1117) (B. p. 2) and (b) the decision of this Court in Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U. S. 714, 18 L. Ed. 2d 475, 87 S. Ct. 1404 and (c) the decision of the Court of Appeals for the Second Circuit in Textron, Inc. v. Spi-Dell Watch and Jewelry Co., Inc., 406 F. 2d 544 (1968) which was a case of trademark infringement and unfair competition in which attorneys' fees were denied under authority of this Court's decision in Fleischmann Distilling Corp.

In Fleischmann Distilling Corp., supra, this Court through Mr. Chief Justice Warren said:

"This is a trademark case arising under the Lanham Act (15 USC Sections 1051-1127) in which our sole concern is with the relief that may be granted when deliberate infringement of a valid trademark has been established. The question is whether Federal Courts have power in that context to award reasonable attorney's fees as a separate element of recovery in light of Section 35 of the Act which enumerates the available compensatory remedies."

and further said:

"The rule here has long been that attorney's fees are not ordinarily recoverable in the absence of a statute or enforceable contract providing therefor."

In recognizing some limited exceptions to this rule this Court's opinion in Fleischmann Distilling Corp. states:

"The recognized exceptions to the general rule were not, however, developed in the context of statutory causes of action for which the legislature had prescribed intricate remedies. Trademark actions under the Lanham Act do occur in such a setting. For, in the Lanham Act, Congress meticuously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed. It provided

not only for injunctive relief, but also for compensatory recovery measured by the profits that accrued to the defendant by virtue of his infringement, the costs of the action, and damages which may be trebled in appropriate circumstances.

and in conclusion said:

"We therefore must conclude that Congress intended Section 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act. A judicially created compensatory remedy in addition to the express statutory remedies in inappropriate in this context."

In the present cases the entire judgment was within the Lanham Act, namely the injunction against infringement of the trademarks "Friends", "Barrister Bond" and "Banner" (15 U.S.C. Section 1114(1) (B. p. 1), and the Five Thousand Dollars damages for the trademark infringement trebled to Fifteen Thousand Dollars (15 U.S.C. Section 1117) (B. p. 2), and the injunction and the Twenty Thousand Dollars damage award for misrepresentations of cotton fiber content (15 U.S.C. Section 1125(a) (B. p. 3).

The Court of Appeals' opinion notes that the District Court's injunction against use of the word "Friend" either as a trade name or in

advertising was set forth in the District Court's Memorandum of Decision under a caption "Unfair Competition". This is within the Lanham Act by reason of the fact that use of Friend in the trade name or in advertising is a use in connection with the goods being sold and therefore an infringement of the trademark for Friends under Section 32(1) (15 U.S.C. Section 1114(1) (B. p. 1), and also the fact that trade names are specifically protected under Section 44(g) (15 U.S.C. Section 1126(g)) (B. p. 4), and also that unfair competition is specifically covered under Section 44(h) (15 U.S.C. Section 1126(h) (B. p. 5), captioned "Protection Against Unfair Competition" taken with Section 44(i) (15 U.S.C. Section 1126(i) (B. p. 5) captioned "Citizens or Residents of United States to have same rights".

The only authority cited by the District Court as authorizing the award of attorneys' fees was National Van Lines v. Dean, 237 F. 2d 688 (9th Cir. 1956), and in affirming the award, the Court of Appeals' opinion states:

> "The cause of action there [in National Van Lines] was predicated on a state statute."

In National Van Lines three causes of action were presented, namely service mark infringement, unfair competition and unjust enrichment, and the Court of Appeals in that case decided that it was unnecessary to do more than rest the decision on the unfair competition count alone, which is a state cause of action as

well as under the Lanham Act. It therefore appears that the "state statute" referred to by the Court of Appeals in its present opinion as covering the cause of action in National Van Lines was a state statute of unfair competition. The award of attorneys' fees in National Van Lines, however, was based on judicial law of the Federal Courts, as no state statute was referred to in that decision. Judicially created law as a basis for attorneys' fees in cases within the Lanham Act was specifically condemned by this Court in Fleischmann Distilling Corp., supra.

In its present opinion the Court of Appeals has gone further than in National Van Lines v. Dean and has identified the California Business and Professions Code, Section 17082 (B. p. 6) as making attorneys' fees available to Respondent. Section 17082 is a special statute appearing in, and applicable only to, Chapter 4 of Part 2 of Division 7 of the California Business and Professions Code. This Chapter 4 of Part 2 is entitled "Unfair Trade Practices", and covers code Sections 17,000 to 17,101 which are confined to anti-monopoly type violations, thus: price discriminations (Section 17040), sales below cost (Section 17043), loss leader practise (Section 17044), secret rebates, refunds, commissions and discounts (Section 17045), and contracts to effectuate violations of the aforesaid sections (17079).

The fact that Section 17082, relied on by the Court of Appeals, is limited to this chapter 4 of part 2 in Division 7 of the code is clearly

stated in that part of its language which reads:

> "In any action under this chapter in which judgment is entered against defendant, the plaintiff shall be awarded a reasonable attorney's fee together with costs of suit."

This Court did not see fit to utilize the provision of the Clayton Act authorizing attorney's fees as a basis for any attorney's fees in the Fleischmann Distilling Corp. case, and there is no more reason for utilizing Section 17082 of the analogous chapter 4 of part 2 of Division 7 of the California Business and Professions Code for this purpose.

Matters analogous to those involved in the present cases are found elsewhere than Division 7 of the California Business and Professions Code, thus, goodwill is treated in Division 6, chapter 1, covering Sections 14, 100 to 14, 103; and trademarks and infringement thereof are treated in Division 6, chapter 2, covering Sections 14, 200 to 14, 342; and trade names and infringement thereof are treated in Division 6, chapter 3, covering Sections 14, 400 to 14, 491; and unfair competition and misleading advertising is covered by California Civil Code, Section 3369; none of which provide for any attorney's fees.

The Court of Appeals' opinion states in respect to the attorney's fees,

> "Had the Trial Court relied upon

the Lanham Act for this award we would agree with the appellant that the Court had erred."

In actuality, the Court of Appeals' opinion has allowed all of the District Court's relief, both injunctive and damages, under the Lanham Act, while in the case of the attorney's fees it has gone outside the Lanham Act and relied on a state statute, and moreover the state statute does not even relate to any of the causes of action for which the District Court awarded relief to Respondent.

In Meier Brewing Co. v. Fleischmann Distilling Corp., 359 F. 2d 156 (9th Cir. 1966) which was affirmed by this Court in Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U.S. 714, supra, the Court of Appeals stated that the complaint was based on both trademark infringement and unfair competition. In a prior decision in the same case, Fleischmann Distilling Corp. v. Meier Brewing Co., 314 F. 2d 149, 150, the Court of Appeals noted that jurisdiction was based on diversity of citizenship as well as the Lanham Act.

It thus appears that there is no substantial distinction in respect to either jurisdictional bases or causes of action between the cases present here and the Fleischmann Distilling Corp. case.

In its decision of that case, the Court of Appeals held that the courts of California do not allow attorneys' fees except by statute or

contract, in the following language, 359 F. 2d 156, 158:

> "We start with the long-established principle that a successful party cannot in an ordinary action at law or in equity, recover his attorneys' fees incurred in the action, unless such recovery is provided for by statute or contract. It makes no difference whether such a recovery be denominated costs or damages or something else. This has long been the rule in the Federal Courts, and in the Courts in California . . . ."

The situation of the Meier Brewing Co. case is further confused by the fact that in Meier Brewing Co. v. Fleischmann Distilling Corp., 359 F. 2d 156 (9th Cir.) the Court of Appeals overruled that part of its earlier decision in Wolfe v. National Lead Co., 272 F. 2d 867, which had allowed attorneys' fees (the complaint and counterclaim in Wolfe were both for trademark infringement and unfair competition) the Court's opinion having said:

> "We overrule Wolfe, to that extent, and limit National Van Lines to its holding, as to correctness of which we express no opinion."

Although this Court's decision in Fleischmann Distilling Corp., supra, appeared to have settled the question of awarding attorney's fees in cases within the Lanham Act, it is submitted that the Court of Appeals' judgment

in the present cases has and will result in creating more confusion.

A purpose of the Lanham Act was to provice a uniform law and practice relating to trademarks and unfair competition in the nature of trademarks, and the Act exhibits a clear policy of federal control of trademark and related unfair competition cases. Such federal policy should not be evaded by state laws or rules which might provide different or additional remedies. It is believed to be contrary to the intention of this Court in its decision in Fleischmann Distilling Corp. that the question of awarding attorneys' fees can be made to depend on state law merely by joining a cause for unfair competition with the action for trademark infringement. Since trademarks are a branch of the law of unfair competition, it is apparent that virtually every trademark case can, and ordinarily does, have joined with it an action for unfair competition.

This Court has pointed out a number of times that the Federal law has pre-empted the field of inventions and patents therefor and that state laws cannot be allowed to alter or modify Federal law or policy in that field. Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225; Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234; Lear Siegler, Inc. v. Adkins, ___ U.S. ___, 23 L. Ed. 2d 610.

The Lanham Act was enacted by authority of the United States Constitution, Article I, Section 8, Clause 3, which reads:

"The Congress shall have power . . . . To regulate Commerce with foreign nations, and among the several states, and with the Indian Tribes."

State law should not be permitted to add to the regulation of commerce which is within the domain of the Congress. It is believed clear that the Lanham Act has pre-empted the field of trademarks and related unfair competition and that the state law cannot be used to add remedies to those of the Lanham Act (15 U.S.C. Section 1127) (B. p. 5).

A second and important reason for granting the Writ of Certiorari herein lies in Textron, Inc. v. Spi-Dell Watch and Jewelry Co., Inc., 406 F.2d 544 (2nd Cir. 1968) which was a case of trademark infringement and unfair competition. It is in conflict with the decision of the Court of Appeals for the Ninth Circuit in the present cases, but in complete agreement with this Court's decision in Fleischmann Distilling Corp. v. Meier Brewing Co., supra.

In Textron, the Court of Appeals for the Second Circuit, in reversing the Trial Court, said:

"It is clear that counsel fees may not be recovered in actions under the Federal Lanham Act. Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U.S. 714.",

and it rejected the argument that this rule in

Fleischmann is avoided by the assertion that the lower court's award of counsel fees was based not on Federal law but on violation of common law rights, and the Court said that it is far from clear that a New York Court would allow counsel fees in trademark infringement or unfair competition suits, and that:

> " . . . it would be improvident to permit a litigant to evade the Federal prohibition on counsel fees simply by joining a common law count to his complaint, a maneuver which even counsel for appellees admitted at argument can be easily achieved for it is not difficult to find a common law and unfair competition violation in most federal trademark cases. Thus, one could all too easily receive indirectly that which could not be acquired directly."

In reference to that part of the District Court's opinion, 283 F. Supp. 920, which refers to the New York General Business Law, Sec. 368-d, the Court of Appeals' opinion said:

> "Moreover we do not read N. Y. Gen. Bus. Law Sec. 368-d (McKinney 1968) as mandating the recovery of counsel fees and we do not believe it prudent to reach a result so clearly contrary to well established federal and N. Y. common law in the absence of an explicit legislative pronouncement."

II

REASONS PERTAINING TO QUESTION 4

The judgment of the Court of Appeals allowing the Twenty Thousand Dollars damages for misrepresentation of cotton fiber content of stationery under 15 U.S.C. 1025(a) is in conflict with the decision of the Court of Appeals for the First Circuit in Samson Crane Company v. Union National Sales, Incorporated, et al., 180 F.2d 896 (1950), affirming the judgment of the Massachusetts District Court, 87 F. Supp. 218 (1949), on the memorandum opinion by the District Court, which said (87 F. Supp. 218, 222) that 15 U.S.C. 1125(a) must be limited:

> "to that 'unfair competition' which has been most associated with the misuse of trademarks, i.e., the passing off of one's goods as those of a competitor."

The damage award is also in conflict with the previous decision of the Court of Appeals for the Ninth Circuit in Chamberlain v. Columbia Pictures Corp., 186 F.2d 923, in which the defendant therein sought to produce a movie falsely advertising it as originating with Mark Twain, whose heir brought the action under 15 U.S.C. 1125(a) for false advertising. The Court of Appeals said, at 186 F.2d 923, 925:

> "At first blush it might be said that the allegations made fit snugly into the provisions of Section 1125,

Title 15 USCA. However we do not think said section changes the fundamental requirements necessary to sustain a suit for unfair competition, one such requirement being a direct injury to the property rights of a complainant by passing of the particular goods or services represented as those of complainant. Deceiving the public by fraudulent means, while an important factor in such suit does not give the right of action unless it results from the sale of the goods as those of the complainant."

In the present cases, Chamberlain was cited by the District Court, but the Court of Appeals did not mention it nor overrule it, but said that Petitioner's acts were illegal.

In the Samson Crane Co. case, the complaint under Lanham Act Section 43(a) (15 U.S.C. 1125(a)) had alleged that the defendant had operated its retail store under the name "I. A. M District Lodge 38 Clothing Project" in order to falsely represent to the public that the store was operated by labor unions which in fact had no interest in the store. In dismissing the complaint, the Court said:

"Moreover, the false representations of which plaintiff complains are not such as fall within the scope of Section 43(a) of the Lanham Act. It is true that the section speaks of 'any false description or misrepresentation',

but this must first be interpreted in the light of the succeeding phrase which explains these words as including words or symbols tending falsely to describe or represent, not any fact, but the goods or services in connection with which the description or representation is used. The intent of Congress in passing the Act is set forth in the final paragraph of Section 1127. Only one phrase of that paragraph fails to use the word 'mark'. And that phrase ('to protect persons engaged in such commerce against unfair competition') must in such a context be construed to refer not to any competitive practice which in the broad meaning of the words might be called unfair, but to that 'unfair competition' which has been closely associated with the misuse of trademarks, i.e., the passing off of one's own goods as those of a competitor."

The misrepresentation of cotton fiber content in the Petitioners' catalogs have no effect in tending to pass off the Petitioners' stationery paper as that of Respondent. If any of Petitioners' stationery paper was passed off as that of Respondent, it could only be because of the similarity of names or marks of Petitioners and Respondent, which is the subject of the first suit herein. Where a party's mark is infringed with a resulting passing off, any inferiority of the infringer's goods is an element of an infringement suit. The Courts below have covered this by the award of $5000 trebled to

$15,000. The additional $20,000 would be a duplication of damages, especially since no special damages were pleaded. (Ct. 230, 302).

Respondent argued in the Courts below that the misrepresentations of cotton fiber content cheated Petitioners' customers, and Petitioners' response was that there is no reason why Respondent should collect damages on a theory that Petitioners' customers have been cheated.

There was no pleading of special damages required by Rule 9(g) F. R. Civ. P.

In Mosler Safe Co. v. Ely-Norris Safe Co., 273 U. S. 132, 71 L. Ed. 578, this Court made the following pertinent statement (273 U. S. 132, 134):

> "If, on the other hand, the representation was false as it is alleged sometimes to have been, there is nothing to show that customers had they known the facts would have gone to the plaintiff rather than to other competitors in the market, or to lay a foundation for the claim for a loss of sales . . ."

In American Washboard Co. v. Saginow Mfg. Co., 103 Fed. 281 (6th Cir. 1900) the sole manufacturer of aluminum washboards sought to enjoin the false representation that a competing sink board was made of aluminum. The Court made the following pertinent statement (103 Fed. 281, 285):

> "It is true that in these cases it is an important factor that the public

> are deceived, but it is only where this deception induces the public to buy the goods as those of complainant that a private right of action arises."

In the present case there is no evidence that the Petitioners' catalog statements concerning cotton fiber content played any part in inducing the public to believe it was purchasing Respondent's paper rather than Petitioners' paper.

There is a conflict among the circuits concerning the scope of Lanham Act Section 43(a), for there are cases in the Third Circuit and in the District of Columbia Circuit which held contrary to the rulings in the Chamberlain case of the Ninth Circuit, and in the Samson Crane Co. case in the First Circuit. In L'Aiglon Apparel, Inc. v. Lana Lobelle, Inc., 214 F.2d 649 (3rd Cir. 1954) and in Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.C. 1955), affirmed 230 F.2d 832, cert. denied 352 U.S. 829, it was held that Section 43 (15 U.S.C. 1125(a)) is broad enough to cover misrepresentations which do not pass off goods as those of another.

District Court cases which appear to agree with the interpretation of the scope of Section 43(a) as set forth in the First and Ninth Circuit rulings in Chamberlain and in Samson Crane are: Glen v. Advertising Publications, Inc., 251 F. Supp. 889 (S.D. N.Y. 1966); General Pool Corp. v. Hallmark Pool Corp., 259 F. Supp. 383 (N.D. Ill. 1966).

It is submitted that there is great confusion among the courts of the different circuits as to whether or not Section 43(a) covers misrepresentations which do not pass off, which should be resolved by this Court in the public interest.

III

REASONS PERTAINING TO QUESTIONS 5 AND 6

The Court of Appeals' affirmance of the money damage awards does not meet the requirements of this Court for ascertainment of amount of damage. This Court has held that amounts awarded as damages must be based on substantial evidence and cannot be arrived at arbitrarily, even though they need not be shown exactly. Coupe v. Royer, 155 U.S. 565, 581, 39 L.Ed. 263, 269 (1884); Aro Mfg. Co. v. Convertable Top Replacement Co., 377 U.S. 476, 507, 12 L.Ed.2d 457, 480; Harley and Lund Corp. v. Murray Rubber Co., 31 F.2d 932, 933 (2nd Cir. 1929), cert. denied 279 U.S. 872, 73 L.Ed. 1007 (1929). Story Parchment Co. v. Patterson Parchment Paper Co., 282 U.S. 555, 562, 563, 51 S. Ct. 248, 250, 75 L.Ed. 544, and Eastman Kodak Co. v. Southern Photo Materials, 273 U.S. 359, 378.

The damage awards in the present cases were arrived at arbitrarily. The basis for the $5,000.00 actual damages arrived at by the District Court as stated in its Memorandum of

Decision (CT 477) was:

> "Most of the sales thereby lost by the plaintiff to the defendants quite apparently was small in dollar amount; and to seek to identify each of them through an accounting would be relatively expensive and basically impracticable. However, the Court interpolates and finds from the evidence presented that the plaintiffs actual damages in the respect here under consideration are at least the sum of $5,000.00."

There is no indication in the Memorandum of Decision nor anywhere in the record as to what it was that was "interpolated". There was no evidence in the case as to any amount of damage. The chart, Exhibit AK shows sales of the parties year by year from 1941 to 1966 but does not indicate any sales lost by Respondent to Petitioner, which could be a measure of damage.

The greatest possible amount of diversion of the plaintiff's customers which could have gone to defendants would be the 184 customers which plaintiff's ledger sheets (Ex. AJ) show are all the customers it ever had in all of the far western states including even all of Texas where petitioner has never operated except in the Amarillo, El Paso and Lubbock areas. There has been no contention or showing that Petitioners obtained all or even a major part of these 184 customers. Respondent took over

30 depositions (Exs. 234, 235, 236, 237, 238, 239, 240, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 261, 262, 263, 264, 265, 267, 268, 304, 305, 306, 411) in western states which were apparently all of its customers which it thought might have given business to Petitioners. Out of these only about 16 indicated any confusion between Petitioner and Respondent and only two of these indicated that they had shifted their business to Petitioners because of the confusion, namely J. H. Jahnke (Ex. 244) and the firm of Davis and Eppstein (Ex. 240). There is no evidence as to how much business these two diverted customers, or any other customers, gave to Petitioners, hence, the award of $5,000.00 as actual damages for the trademark infringement is an arbitrary guess and speculative and not even an estimate. The award does not comply with the Rule of this Court as stated in Story Parchment Co., supra, in the following language:

> "In such case, while the damages may not be determined by mere speculation or guess, it would be enough if the evidence shows the extent of the damages as a matter of just and reasonable inference, although the result by only approximate."

Or in Eastman Kodak Co., supra, wherein this Court made the similar statement:

> "It is sufficient if a reasonable basis of computation is afforded, although

the result be only approximate."

The $20,000 damage award on account of the misrepresentations of cotton fiber content is even more arbitrary and speculative than the $5,000 actual damage award for the trademark infringement. No basis or manner of computation of the amount is even hinted at in the Memorandum of Decision nor anywhere else. The finding in the Memorandum of Decision of the District Court was that (CT 475) (A. p. 37):

> "Of much greater concern to the plaintiff from the standpoint of damage, is the likelihood that in future years people who have bought stationery from the defendants will become aware of the poor quality and will quietly determine never again to purchase "Friends' papers."

This statement undoubtedly refers to the testimony of the officer of the paper mill noted in the Memorandum of Decision (A. p. 20) to the effect that the percentage of cotton fiber determines the number of years the paper mill will last before it deteriorates, through yellowing, thus 100% cotton fiber is good for 100 years, 50%, 50 years, and 25%, 25 years. Since the lowest cotton fiber content of any of Petitioner's cotton fiber paper is the 25% grade a customer would have to wait about 25 years before any awareness of deterioration could occur -- and only a minor part of defendants' paper is of the 25% grade or subject to any errors in advertising. Envelopes, which the District Court's

Memorandum referred to as being 20% cotton, are thrown away when received, and hence are not retained for twenty years.

The District Court's finding in the Memorandum of Decision (A. p. 37) that:

> "It is impossible to determine the full extent to which the false descriptions herein concerned have damaged the plaintiff already and will cause further injury in the future."

is further evidence that the $20,000 amount or any other amount which might have been selected, is a guess and speculative and without any foundation or basis of computation. For these reasons the award is in conflict with the decisions of this Court as stated hereinabove.

Damage awards are a matter of great public concern and interest and this Court should rectify what is believed to be a material departure from the basis for calculating damages as laid down by decisions of this Court.

CONCLUSION

The matters of attorneys' fees involved in Questions 1, 2 and 3, and of the interpretation of Lanham Act Section 43a (15 U. S. C. 1125(a)), involved in Question 4, and the propriety of money damage awards involved in Questions 5 and 6, are of great importance to the public and should be settled by this Court.

Respectfully submitted,

ANGUS & MON
D. GORDON ANGUS

Attorneys for Petitioners

APPENDIX "A"

APPENDIX "A"

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

WILBER H. FRIEND, an individual, and FRIEND COMPANY, a corporation, Appellants,	)	Nos. 22, 489 and 22, 489A
vs.	)	
H. A. FRIEND AND COMPANY, INC., Appellee.	)	

[September 12, 1969]

Appeal from the United States District Court for the Central District of California

Before: BARNES and CARTER, Circuit Judges, and THOMPSON, District Judge*

BARNES, Circuit Judge:

The first of the two cases brought by

*Hon. Bruce R. Thompson, United States District Judge, Reno, Nevada, sitting by designation.

appellee and combined here on appeal, seeking redress for alleged unfair competition and trade-mark infringement, was initiated in the United States District Court for the Central District of California on June 17, 1964. Jurisdiction was based upon the Federal Trademark Act of 1946, the Lanham Act, 15 U.S.C. § 1121 and upon 28 U.S.C. § 1338. Diversity jurisdiction, 28 U.S.C. § 1332, was also alleged. On March 16, 1966, while that case was still pending, plaintiff appellee filed the second suit here appealed, charging appellant with misrepresentation and false advertising. Lanham Act and diversity jurisdiction were invoked. Jurisdiction in this court for the combined appeal and cross-appeal is based upon 15 U.S.C. § 1121.

Appellee H. A. Friend & Co., Inc., an Illinois corporation (hereinafter H. A. Friend) traces its origin as a retail paper operation specializing in printed and engraved legal stationery to 1908. H. A. Friend is a family corporation currently operated by the three youngest sons of its namesake and founder, now deceased. Until 1948, the oldest of the Friend sons, Wilber, the co-appellant [1] here, was an active partner, having become a full time employee of the firm in about 1930. Appellant left H. A. Friend as the result of a family dispute: Wilber's capital interest in the

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1 Since Wilber Friend is the alter ego of Friend and Company, we use the term "appellant" to refer to the two interchangeably.

company was purchased by his father, and a new partnership with the same name was formed by the father and the remaining three sons. This partnership was incorporated in 1961.

The district court found that appellant told his father and brothers that he was leaving Illinois for Pasadena, California, where he planned to engage in the wholesale paper business under the name of Friend Paper Company (hereinafter Friend Paper). Friend Paper had been organized, but not incorporated, by H. A. Friend in the 1930's as a means of obtaining paper from H. A. Friend's suppliers at wholesale prices. Appellant ran Friend Paper from his office at H. A. Friend, using H. A. Friend's personnel. When appellant left H. A. Friend, the name of the wholesale operation was changed to Friend Paper Products Co.

Appellant did move to Pasadena. This action appears to be the one truthful aspect of the future plans he had outlined to his family. Appellant's business, which he titled Friend and Company (hereinafter Friend), did the same type of retail business as H. A. Friend.

This similarity in the names of the two companies was exploited vigorously by appellant. In 1955, appellant distributed a catalogue of Friend's products which described the Pasadena operation as the "Western Division" of Friend and Company. An asterisk appearing at the location of H. A. Friend in Illinois purported to locate the "General Offices" and the

Western states on the map were shaded, a caption indicating they were "served from the Western Division, Pasadena, California." The catalogue was labeled "No. 47." 1908 plus 47 equals 1955, the year of publication. When a second catalogue appeared in 1964, it was titled "No. 56."

The catalogue's text described Friend as a company in business since 1908 and Wilber as manager of the Western Division since 1949. The district court found that "Barrister Bond," "Friends Bond," and "Banner Bond" were trade-marks and watermarks used by H. A. Friend long before 1948. Appellant's catalogue listed stationery under these names. The 1964 catalogue contained the same information. Between 1951 and 1953, appellant mailed letters to Western law firms announcing the opening of a "Western Division" which could save freight costs from the "East." Appellant's misrepresentation was not limited to indirection: one customer of H. A. Friend, for example, was informed that Friend would "get your die from our Zion plant."

The district court, characterizing appellant's conduct as "fraudulent" and appellant's testimony as "simply unbelievable," enjoined appellant's use of "Friend" as a trade name or trade-mark, except under limited circumstances, as well as appellant's insinuating any connection with H. A. Friend. Appellant was prohibited from using the trade-marks "Banner," "Barrister Bond," "Bar Bonds" and "Friends." Appellant was also forbidden to misrepresent

the cotton fibre content of his products. Damages for appellant were found in the following amounts: 1. for acts of unfair competition and trade-mark violation, $15,000; 2. for false description of merchandise, $20,000; 3. for attorneys' fees, $30,000.

Appellant challenges this judgment in its entirety and appellee cross-appeals, alleging the district court erred both in not awarding appellee appellant's profits stemming from unfair trade practices and in failing to enjoin completely appellant's use of the word "Friend" in the retail paper trade.

We first consider appellant's twenty-one assignments of error. For convenience, we group them under five main headings.

We evaluate initially appellant's contention that appellant, not H. A. Friend, owned Friend Paper when it was doing business as a wholesaler in Illinois prior to 1948. Appellant argues that there is no "substantial evidence" to support the trial court's finding that H. A. Friend organized Friend Paper and points to his own testimony that he owned and operated Friend Paper for personal profit as unrefuted evidence negating the trial court's conclusion. Appellant's inference must be that if he, not H. A. Friend, owned Friend Paper, appellant somehow acquired trade name rights in "Friend."

In order for us to reverse the trial court's finding on this point, it is necessary for appellant to demonstrate that the finding is "clearly

erroneous." Fed. R. Civ. P. 52(a). Paul Sachs Originals Co. v. Sachs, 325 F. 2d 212 214 (9th Cir. 1963). As the Supreme Court stated in Commissioner v. Duberstein, 363 U.S. 278, 291 (1960), " 'A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.' United States v. United States Gypsum Co., 333 U.S. 364, 395." See Fleischer v. Commissioner, 403 F. 2d 403, 406 (2d Cir. 1968); Waltham v. Netoco Theatres, Inc. v. Commissioner, 401 F. 2d 333, 335 (1st Cir. 1968); Tennessee Foundry & Mach. Co. v. Commissioner, 399 F. 2d 156, 157 (6th Cir. 1968). Appellant has failed to sustain this burden of proof. Against appellant's testimony we weigh, and find convincing, under the Duberstein standard, the evidence produce by appellee. For example, William Friend, appellee's corporate secretary and a partner in H. A. Friend in 1946-1949, testified that Friend Paper was "just a front" for buying paper for H. A. Friend and was not supposed to make a profit. C. T. at 529. The witness also testified that until the accounting at the time of the dissolution of the partnership in 1948, appellant was not known by his partners to be making a personal profit from Friend Paper. C. T. at 538. This testimony, coupled with the partnership agreement of 1941, which bound all partners to devote full time to the partnership business and prohibited activity detrimental to the partnership business, convinces us the district court did not err in its conclusion.

Out judgment is reenforced by the fact that the crucial evidence here hinges on the credibility of the witnesses. "It is settled law . . . that the question of credibility is peculiarly for the trier of fact. An appellate tribunal will not redetermine the credibility of witnesses where, as here, the trial judge had the opportunity to observe their demeanor and to form a conclusion." Dresser Industries, Inc. v. Heracus Engelhard Vacuum, Inc., 395 F.2d 457, 463, (3d Cir. 1968). See Graver Mfg. Co. v. Linde Co., 336 U.S. 271, 274-275 (1949).

Appellant's next two groups of assignments focus on injunctive relief awarded by the district court. Our discussion of these points is related to and dependent on our conclusion reached on appellant's laches argument, infra.

Under a caption of "unfair competition," the district court enjoined appellant from the use of the word "Friend" either as a trade name or in advertising, except in conjunction with certain disclaimers, and prohibited appellant from claiming affiliation with H. A. Friend. Appellant challenges this ruling, contending both that H. A. Friend abandoned the name and that appellant has a right to use his own name.

Appellant's first argument can perhaps most charitably be described as a misstatement of the facts. The district court found what our reading of the record reveals, that appellees consented to appellant's use of the name Friend Paper Co. in the wholesale paper business.

That use is not proscribed by the appealed order. It is reasoning that smacks of duplicity for appellant to argue that appellee's permission to use the name in a noncompetitive field constitutes an abandonment of its right to use the name of its firm in a competitive field. We summarily reject appellant's position.

Appellant's second point has more merit: the law is reluctant to preclude an individual's business use of his own name when no attempt to confuse the public has been made. Crane Co. v. Crane Heating & Air Conditioning Co., 299 F. 2d 577, 578 (6th Cir. 1962); Haviland & Co. v. Johann Haviland China Corp., 269 F. Supp. 928, 955 (S. D. N. Y. 1967). Here, however, we are faced with a second user who has deliberately, vigorously, and successfully confused purchasers. We find the district court's injunction to be entirely reasonable and appropriate. John P. Dant Distillery Co. v. Schenley Distillers, Inc., 297 F. 2d 935 (6th Cir.), cert. dismissed 371 U. S. 802 (1962); Brooks Bros. v. Brooks Clothing of California, 69 F. Supp. 442 (S. D. Cal. 1945), aff'd 158 F. 2d 798 (9th Cir. 1947); John B. Stetson Co. v. Stephen L. Stetson Co., Ltd., 128 F. 2d 981 (2d Cir. 1942).

Appellant's third general ground for challenge to the holding of the district court is directed at the court's findings regarding appellee's trade-marks. Appellant contends that the district court erred in finding H. A. Friend to be the exclusive owner of the trademarks "Banner," "Barrister Bond," and

"Friends" and in enjoining appellant from using these names. Appellant's argument is that although H. A. Friend has sold stationery marked "Friend," "Barrister Bond," and "Banner," such use does not result in ownership. Appellant states that others have "used" these marks, reasoning that such use indicates nonexclusive ownership by appellee.

The district court found appellee held a valid trade-mark in the word "Friends" and had a pending trade-mark application for "Banner," a mark appellee had been using "for many years." The mark "Barrister Bond," which appellee has used for more than forty years, was originally issued to appellee's supplier. The district court found the supplier had held the mark in trust for appellee until, in 1965, formally assigning it to appellee. Determining appellant to be an infringer, the district court enjoined appellant's use of any of these marks.

Appellant's argument here is a factual challenge to the validity of the district court's findings. This court is neither equipped, inclined or permitted to relitigate questions of fact. "[W]e may not substitute our judgment if conflicting inferences may be drawn from the established facts by reasonable men, and the inferences drawn by the trial judge are those which could have been drawn by reasonable men." Lundgren v. Freeman, 307 F.2d 104, 113 (9th Cir. 1962). See Snider v. England, 374 F.2d 717, 720 (9th Cir. 1967).

For the reasons we outlined above, we find the district court was correct in restricting appellant's use of the trade-mark "Friends." In an action for infringement of a protected trade-mark or name the test is that of confusing similarity." Baker v. Simmons Co., 307 F.2d 458, 461 (1st Cir. 1962); Paul Sachs Originals, supra, at 214. See Volkswagenwerk Aktiengesellschaft v. Church, ___ F.2d ___, No. 22071 (9th Cir. May 7, 1969); Smith v. Chanel, Inc., 402 F.2d 562, 563 (9th Cir. 1968). The likelihood of confusion is a matter to be determined by this court. Fleischmann Distilling Corp. v. Maier Brewing Co., 344 F.2d 149, 152 (9th Cir. 1963). In our judgment, that test is here more than amply satisfied. See Speedry Prods., Inc. v. Dri Mark Prods., Inc., 271 F.2d 646, 648 (2d Cir. 1959); Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc., 281 F.2d 755 (2d Cir. 1960). Cf. Williams v. Kagg Mfgrs. Inc., 338 F.2d 949 (9th Cir. 1964).

The prohibition of appellant's use of "Banner" presents a more difficult case since appellee has used, but not registered, the mark. We begin by pointing out that "the basic premise [of trade-mark law is] that a trademark is not acquired by registration.' The right to a trademark stems from prior appropriation and use." Haviland & Co. v. Johann Haviland China Corp., supra, at 935. Haviland cites, at 935, Campbell Soup Co. v. Armour & Co., 175 F.2d 795 (3d Cir. 1949) for the proposition that, " * * * Federal registration does not create a trademark. The trade-mark comes from use, not registration, and the right to it is in the nature

of a property right based on common law." In our judgment, "Banner" is a trade-mark. See Blisscraft of Hollywood v. United Plastics Co., 294 F. 2d 694, 700 (2d Cir. 1961). We find appellee to have a right analogous to a common law property right in the mark "Banner."

> "It is generally said that exclusive right to use a mark belongs to the first who appropriate it and uses it in connection with a particular business." Sweetarts v. Sunline, Inc., 380 F. 2d 923, 926 (8th Cir. 1967) (citations omitted). See Blanchard Importing & Dist. Co. v. Charles Gilman & Sons, Inc., 353 F. 2d 400, 401 (1st Cir. 1965).

Clearly, appellee being the prior and long time user of the Banner mark, is to be preferred over appellant, a wilful infringer and entitled to equitable relief against him to prevent confusion in their competition for the market. We affirm the district Court's granting of an injunction against appellant's use of the mark "Banner."

Appellant next asserts that the district court's issuing of an injunction prohibiting its use of "Barrister Bond" was error because appellee's supplier could not have assigned the mark to appellee since the supplier retained his business and good will. While the assignment may be void, since a trade-mark "cannot be assigned in gross and may only be transferred with a business to identify the merchandise of the owner." Dresser Indus., Inc. v.

Heraeus Engelhard Vacuum, 395 F. 2d 457, 464 (3d Cir. 1969), it is an issue which is not here controlling. Appellee, as the real party in interest, can seek equitable relief against an infringer of a "fanciful designation," used in a fictitious, arbitrary and fanciful manner, as distinguished from a geographical or descriptive term. The principles we have outlined, supra, are applicable here. An injunction is not an improper remedy. See National Lead Co. v. Wolfe, 223 F. 2d 195, 205 (9th Cir. 1955). To give complete relief equity can enjoin the use of a name, even though an exclusive right to use it is not proved.

Two affirmative defenses are asserted by appellant. The first, which we dispose of summarily, is that appellant's business was built up in an area separate from and undeveloped by appellee and appellee cannot now complain of infringement. While the legal principle enunciated by appellant is valid, see, e.g., Sweetarts v. Sunline, Inc., supra, at 928, it must be supported by convincing evidence. Appellant has not met this burden. The district court found that in 1948 appellee was doing business in almost all the states west of the Rocky Mountains, and that appellee had a mailing list of 1500 potential customers in this area. These facts indicate appellant was active in the western market, and the confusion proved, which had generated among appellee's customers, supra, is objective proof of appellee's presence there. Appellant's argument is unpersuasive.

Appellant's second defense, laches, is not so readily rejected. The district court found that in 1957, Harley Friend, father of the litigants, received a letter from a Seattle law firm which informed him of appellant's duplicity. Although Harley Friend answered this letter, the district court found he took no affirmative action and failed to notify his partners. The district court determined that this did not put appellee on notice; the first knowledge coming to appellee of appellant's activities recognized by the district court occurred in August of 1962. The first demand for termination of activities now litigated was sent to appellant in August, 1963.

We must initially determine whether 1957 or 1963 is the significant date. In our judgment, the district court erred in focusing on the 1962 confrontation. Well established concepts of partnership doctrine impute the knowledge and actions of one partner to all others. See, e.g., Bushman Const. Co. v. Air Force Academy Housing, Inc., 327 F. 2d 481 (2d Cir. 1964); Stork Restaurant v. Sahati, 166 F. 2d 348 (9th Cir. 1948); Harford Acc. & Indem. Co. v. Hartley, 275 F. Supp. 610 (M.D. Ga. 1967), aff'd 389 F. 2d 91 (5th Cir. 1968). Appellee points to Harvey Friends' age and ill health as reasons explaining why his partners were not informed and argue this as a reason for postponing the measuring date for laches purposes. This is unpersuasive since appellees, by remaining in partnership with Harvey Friend and permitting him to act for the partnership -- as he did here -- are foreclosed from now

disclaiming his actions. Nor can appellee find comfort in our holding in Whitman v. Disney Prod's, Inc., 263 F. 2d 229 (1958) since the ill health we mentioned there as a possible exculpating feature focused on an individual's delay in initiating suit as opposed to his informing his partners -- an act not here at issue because of the presumption discussed above.

We therefore conclude that the delay of six years, 1957-1963, is the length of time the trial court should have considered in evaluating whether or not appellees are affected by the doctrine of laches. In our judgment, the trial court's error in pinpointing appellee's reception of notice is harmless error because, as we stated in Disney, supra, at 231:

> "Mere passage of time cannot constitute laches, but if the passage of time can be shown to have lulled defendant into a false sense of security, and the defendant acts in reliance thereon, laches may, in the discretion of the trial court, be found."

Our examination of the record does not reveal the requisite reliance by appellant necessary to begin the running of a time period necessary for a bar by reason of laches. Appellant's unlawful conduct was continuous in nature and any incident can thus provide the foundation for appellee's suit; appellee is not precluded from a remedy by the mere lapse of six years from the acquiring of notice to the initiating of suit.

Having resolved the laches question in appellee's favor, we turn now to the issue of damages. We first evaluate and ratify the trial judge's awards of $15,000 for unfair competition and trade mark violation and $20,000 for false description of merchandise. The $15,000 judgment, made under 15 U.S.C. § 1117, is not excessive; measured by the extremely wide discretion with which the trial court is empowered to act, we find it to be a proper award. The basis for the $20,000 judgment is 15 U.S.C. § 1125(a). The trial judge pointed out that:

> "of much greater concern to the plaintiff from the standpoint of damage, is the likelihood that in future years people who have bought stationery from the defendants will become aware of its poor quality and will quietly determine never again to purchase 'Friend's' papers. Because of the manner in which the defendants have fraudulently linked their own operation with that of the plaintiff, it is impossible to determine the full extent to which the false descriptions herein concerned have damaged the plaintiff already and will cause further injury in the future."

The trial court concluded that although the full measure of damage could not be precisely shown, the appellee had been injured in the amount of $20,000. We do not find this approach to be erroneous and affirm the action of the trial court.

The final award made by the trial court and challenged by appellant is $30,000 for attorneys' fees "[i]nasmuch as the Court has found the defendants' acts to have been wilful and calculated to trade upon the plaintiff's goodwill." R.T. at 478. Had the trial court relied upon the Lanham Act for this award. We would agree with the appellant that the court had erred. This issue was considered by this court in Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156 (en banc 1966) where we concluded that the concept "the costs of the action" referred to in the Lanham Act's provision for recovery, supra, does not include attorneys' fees. Our ruling was affirmed by the Supreme Court. Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714 (1967).

However, the district court in the present case relied upon National Van Lines, Inc. v. Dean, 237 F.2d 688 (9th Cir. 1956). The court in Dean, as here, determined the infringer's conduct to have been wilful. The narrow holding of the Dean case, then, is that to the extent a plaintiff has a state given cause of action and providing state law does not prohibit attorneys' fees, the awarding of attorneys' fees is permissible. California does provide appellee with such a remedy. Cal. Bus. & Prof. Code § 17082. See High Fidelity Recordings, Inc. v. Audio Fidelity, Inc., 305 F.2d 86 (1962). The action of the district court in awarding attorneys' fees was thus correct.

Lastly, appellant contends that the district court erred in prohibiting him from selling stationery of a different quality than that advertised. Since this is obviously an illegal act, we fail to understand how its probition could have been error.

We now consider the two cross-appeal claims made by appellee in its cross-appeal. We first evaluate the contention that the district court erred by not completely enjoining appellant's use of the name "Friend" for retail purposes. As we noted above, the trial court restricted appellant's use of his own name for sales to consumers: appellant was forbidden to employ "Friend" as a trade name unless 1. it is coupled with his first name, Wilber, in letters of equal size, and 2. accompanied by the parenthetical "Not affiliated with H. A. Friend and Company of Zion, Illinois." Additionally, appellant was enjoined from using "Friend" as a trade-mark or in advertising, unless it is coupled with "Wilber."

We find these restrictions to be a judicious balancing of the countervailing interests of protecting an individual's use of his name and the avoiding of confusion. See discussion and cases cited, supra. We find no error here.

Appellee secondly urges that the district court erred in merely awarding compensatory damages and attorneys' fees. Appellee contends it is entitled to an accounting of appellant's profits resulting from trade-mark infringement and unfair competition.

Section 35 of the Lanham Act, 15 U.S.C. § 1117, provides the remedy appellee requests. However, as we stated in Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 120 (9th Cir. 1968), this remedy is not available as a matter of right. In that case we considered the function of the Lanham Act and the conditions where the awarding of an offender's profits would be appropriate. We concluded at 123 that:

> "It would seem fairly evident that the purposes of the Lanham Act can be accomplished by making acts of deliberate trade-mark infringement unprobitable. In the case where there is direct competition between the parties, this can be accomplished by an accounting of profits based on the rationale of a returning of diverted profits. In those cases where there is infringement, but no direct competition, this can be accomplished by the use of an accounting of profits based on unjust enrichment rationale. Such an approach to the granting of accountings of profits would, by removing the motive for infringements, have the effect of deterring future infringements."

Because this is a case where the parties were in direct competition, and since the appellee, subject to our discussion, supra, has been awarded damages for lost profits, it does not appear the district court erred in denying an accounting of appellant's profits to appellee.

The judgment of the trial court is AFFIRMED in all respects, in each case.

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Excerpt from Proceedings of Monday, November 3, 1969

Before: BARNES and CARTER, Circuit Judges, and THOMPSON, District Judge

ORDER DENYING PETITION FOR REHEARING

On consideration thereof, and by direction of the Court, IT IS ORDERED that the petition of Appellant filed September 26, 1969 and within time allowed therefor by rule of court, for a rehearing of above cause be, and hereby is denied.

FILED
Dec 5 1967
Clerk, U. S. District Court
Central District of California

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

H. A. FRIEND AND COMPANY, INCORPORATED, an Illinois corporation, Plaintiff, vs. FRIEND AND COMPANY, a California corporation, and WILBER H. FRIEND, individually and doing business as Friend Paper Company, Defendants.	)	CIVIL ACTION NO. 64-805-WPG

H. A. FRIEND AND COMPANY, INCORPORATED, an Illinois corporation,	)	
Plaintiff,	)	CIVIL ACTION
v.	)	NO.
	)	66-470-WPG
FRIEND AND COMPANY, a California corporation, and WILBER H. FRIEND, individually and doing business as Friend and Company,	)	
Defendants.	)	

MEMORANDUM OF DECISION

H. A. Friend and Company, Incorporated, the plaintiff in each of the two cases here concerned, is owned by the youngest three of the four sons of Harley A. Friend, who was the founder of the business now operated by the plaintiff, and who died in 1959. His oldest son, Wilber, is the individual defendant and the principal owner of the corporate defendant, Friend and Company, which he formed and has operated under circumstances that brought about this bitter litigation. The complaints in these two actions charge the defendants with unfair competition, trademark infringement, and false description and advertising of stationery that they sell in competition with the plaintiff. Each of these charges is well founded, as will be discussed in this Memorandum of Decision.

THE BACKGROUND FACTS

Harley A. Friend began to engage in the stationery business in Zion, Illinois, in 1908 and remained active in that business until his death. By 1920, he was the principal owner of H. A. Friend and Company (the Company), which was located in Zion. The Company specialized in preparing and selling at retail printed and engraved stationery to members of the legal profession, principally in the mid-western part of the United States. In about 1930, Harley's son, Wilber, became a full-time employee, and in the ensuing years he was allowed to assume more and more of the management of the business of the Company.

The principal source of the paper processed and sold by the Company was the mill operated by the Gilbert Paper Company (Gilbert), of Menasha, Wisconsin. Inasmuch as the Company was a retailer, it presumably could not obtain its paper directly from Gilbert, but instead was obliged to purchase through a wholesaler. In the early years, the wholesaler so used was the Moser Paper Company. However, by the mid-thirties, the volume of the Company's paper purchases had increased substantially, with the result that an arrangement was made with Gilbert whereby the Company, in effect, might have the price benefits that would flow from being able to purchase directly from the mill. Accordingly, the Company caused to be formed the Friend Paper Company, which bought paper directly from Gilbert and sold it to the Company. The Friend Paper

Company was not incorporated, and it appears to have had no formal beginning. It simply began to place with Gilbert orders for paper that the Company needed in its retail business. The Friend Paper Company never had any employees, and almost from its inception its "business" was conducted solely by Wilber, partly at his office in the headquarters of the Company with the clerical assistance of Company personnel, and partly at his home.

By the end of 1940, the two next oldest sons of Harley A. Friend had also become employees in their father's business, and, on December 31, 1940, he gave to each of them, and to Wilber, partnership interests in the Company effective January 1, 1941. The partnership agreement that they all signed on that date provided that each active partner should devote full time to the partnership business, should " . . . be faithful to all of the other partners in all transactions relating to the firm," and should not " . . . engage in any business or activity which in any way does or may conflict with or operate to the detriment of the partnership business." The agreement further provided that Wilber should have the responsibility of the general management of the entire business, and he did continue to assume such responsibility as long as he remained a partner. Harley's youngest son, William, was made an active partner in 1946, following his return from military service.

Prior to the time of the formation of the partnership, the Company had begun the practice

of publicizing its stationery as being in "The Banner Line", the quoted words usually being displayed as superimposed on a drawing of a pennant or banner. Its stationery was also advertised as "Friend's Papers", and more particularly as "Friend's Typewriter Papers", "Friend's Legal Linen", and the like. The imprinting on its stationery boxes and wrappings and its promotional material emphasized the fact that the Company was located in Zion, Illinois, and had been in operation since 1908. These same practices continued after the formation of the partnership and right up to the present time.

By 1948, although most of the Company's customers were law offices located in the central part of the United States, a scattering of customers had developed in almost all, if not all, of the states west of the Rocky Mountains. Many of these customers were lawyers who had moved westward and wanted to continue to buy "Friend's Papers"; others had been referred to "Friend's" by satisfied purchasers. Such contacts usually were renewed or established by mail; the Company carefully maintained and serviced them all; and in most instances the letters in response to inquiries and orders for merchandise were personally dictated and signed by Wilber.

By about 1948, the Company had compiled addressograph plates that included the names and addresses of more than 1,500 lawyers and law firms located in the western states, and it sent to all of them at least one promotional

brochure. It was the active intention of the Company to attract as rapidly as practicable and to hold customers throughout the area between Illinois and the west coast of the United States.

In the latter part of 1948, for reasons that are not important to this decision and will not be discussed, Wilber withdrew from, or was removed from, the Company, and his capital interest therein, including goodwill, was purchased by his father. The partnership was dissolved on December 31, 1948, and a new partnership was thereupon formed by Harley and his three remaining sons, which continued the business of the Company under the same name. The plaintiff Corporation was formed in 1961 to become the successor to the Company and has operated the business ever since. (The plaintiff and the Company will hereinafter be referred to as the plaintiff.)

In the early spring of 1949, Wilber announced to his father and brothers the intention of moving to Pasadena, California, and engaging in the business of buying and selling paper at wholesale under the name of Friend Paper Company. His former partners expressed no objection to this; they ceased using that name for the operation through which they bought paper from the mills; and they began performing these transactions under the name, Friend Paper Products Company.

THE UNFAIR COMPETITION

Wilber did move to Pasadena, and he went into the stationery business in 1950. But his principal activity was not that of a wholesaler of paper; instead, he engaged in precisely the same type of retail operation that the plaintiff had been conducting in Zion for so many years. He did not adopt completely the name of his father's partnership, namely H. A. Friend and Company; he simply left off the "H. A.", and called his business "Friend and Company". (Wilber later incorporated his business, and such corporation is made a defendant in this action. He and it will sometimes hereinafter be referred to as the defendants.)

In 1955, Wilber published and began to distribute a large stiff-covered catalogue, on the cover of which appeared in large letters the words, "Friend's Quality Papers". At the head of the first inside page is the word "Friend's" in relatively very large type. At the bottom of the page is the assertion that the catalogue is presented by the Western Division of Friend and Company. The following page is headed by a map of the United States. An asterisk is placed thereon at about the location of Zion, Illinois, and is identified as "General Offices". The western half of the continent is shaded, and a star appears at the location of Pasadena, California, with the explanation "Shaded area served from Western Division Pasadena, California." The following text states that "The Friend organization has served

the legal profession nationwide with quality products for fifty years. We were the first concern in the United States selling exclusively to attorneys." Farther down the page is the assertion that Friend and Company has been "--selling by direct mail and through representatives since 1908 . . .", and on the next page is a picture of Wilber with the statement that he has been "manager of the Western Division in Pasadena, California since 1949".

The catalogue also advertises stationery known as Barrister Bond, Friends Bond, and Banner Bond, which are the same trademarks and watermarks that the plaintiff has been using since long before Wilber left Illinois.

The publication just described asserts that it is "Catalog No. 47" (1908 plus 47 equals 1955, the year of its publication). About 1,000 copies of that catalogue were distributed during the next several years. In 1964, Catalog No. 47 was superseded by a new catalogue which, as might be expected, was designated as "Catalog No. 56". Its format is substantially the same as No. 47, except that it expands a bit upon the earlier misrepresentations.

It is evident from the foregoing description of the catalogues, as well as from other evidence at the trial, that the catalogues were carefully and fraudulently designed to convey the impression that the Pasadena business was a division of H. A. Friend and Company of Zion, Illinois. Wilber's protestations to the contrary in his testimony were simply unbelievable and

served only to give further emphasis to this obvious conclusion. For example, in response to an inquiry as to the justification for the reference, in the 1955 catalogue, to his "General Offices" as being in Illinois, he made the amazing response that his fifteen year old son lived in Zion in that year and there received mail addressed to the defendants' business. He justified the similar reference to "General Offices" in the 1964 catalogue by saying that, although by that time his son was no longer in Zion, he had a Post Office box in that city.

The record reveals other proof which shows beyond doubt that Wilber sought regularly to convey and cultivate the false impression that appears so vividly in his catalogues. Between 1951 and 1953 he sent out a circular letter to law offices in the western states, including many customers of the plaintiff, in which he announced the opening of a Western Division and urged that future orders be forwarded to Pasadena where they could be expedited and result in a saving in freight charges, in comparison with the "east", impliedly Zion. In his correspondence and in his personal contacts with prospective customers, whenever any inquiry arose concerning the relationship between the Friend organization in Zion and his Pasadena operation, he actively implied or, at the very least allowed the inference, that they were one and the same. For example, in one instance he responded to a letter of inquiry from an obviously confused former customer of the plaintiff, by assuring him that "We will get your die from our Zion plant."

In summary, this Court finds that Wilber, from the beginning of his Pasadena venture, tried, in every way he knew how, to capture for himself the goodwill that his father's company (the plaintiff) had developed among law offices in the western states. It is equally apparent that in this he was very successful. The many letters and depositions introduced into the record reveal that a substantial number of lawyers purchased their stationery from the defendants in the mistaken belief that they were dealing with the Western Division of the plaintiff.

Judge Learned Hand said, almost forty years ago, that

> "The law of unfair trade comes down very nearly to this--as judges have repeated again and again--that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises." Yale Electric Corp. v. Robertson, 26 F. 2d 972, 973 (2d Cir. 1928).

What the above quotation proscribes is precisely what the defendants have been doing regularly ever since they first began business in Pasadena. The plaintiff is entitled to an injunction against further conduct of this sort. Stork Restaurant v. Sahati, 166 F. 2d 348 (9th Cir. 1948).

The trade name, Friend and Company, is very similar to that of H. A. Friend and Company, and the record shows clearly that confusion has resulted in the minds of customers and prospective customers throughout the western states. A court should be reluctant to limit a person in the use of his own name in his business. However, in the case at hand, Wilber has been using the Friend name, not simply to identify his own business, but rather as a means of seeking wrongfully to identify his business with that of another. Under such circumstances, his right to use that name must be substantially limited, in order to overcome the confusion that he already has created and to remove the likelihood of further confusion.

See L. E. Waterman Co. v. Modern Pen Co., 235 U.S. 88, 35 S. Ct. 91, 59 L. Ed. 142 (1914);

A. E. Staley Mfg. Co. v. Staley Milling Co., 253 F. 2d 269 (7th Cir. 1958);

Brooks Bros. v. Brooks Clothing of California, 60 F. Supp. 442 (S. D. Cal. 1945); affirmed 158 F. 2d 798 (9th Cir. 1947).

The defendants, with respect to any business or activity involving the sale of paper of any kind to the consumer, will be permanently enjoined as follows:

(a) From using the word, "Friend", in any manner or form, as a trade name, unless:

(1) It is directly preceded by the word, "Wilber", in letters of the same size and style; and

(2) It is closely accompanied by the parenthetical phrase, "Not affiliated with H. A. Friend and Company of Zion, Illinois".

(b) From using the word, "Friend", in any manner or form, as a trademark or in advertising or promotional material, unless it is directly preceded by the word, "Wilber", in letters of the same size and style.

(c) From asserting or in any manner implying that the defendants' business began at any time prior to 1950, or that it had or has any relationship with Zion, Illinois, or that it or its Pasadena establishment is a division of any other company.

THE TRADEMARK VIOLATIONS

As hereinabove noted, the plaintiff has been using various trademarks in connection with the business of selling stationery at retail ever since long prior to 1941. Such use of the trademarks included their being affixed as watermarks upon the paper itself in the process of manufacture, through the use of "dandy rolls" in some mysterious manner that the paper mill operators understand.

When the Friend Paper Company was formed, the plaintiff purchased its requirements

for paper bearing its various watermarks through Friend Paper Company. The reason for doing so was to obtain for the plaintiff the price benefits accorded a wholesaler, as is discussed earlier in this memorandum. It also has been mentioned herein that Wilber was in charge of the "business" of Friend Paper Company from the time that he was an employee of his father's organization (the plaintiff).

Wilber now says that he was Friend Paper Company, that from the beginning it was his sole proprietorship, and that during the entire time that he was operating it in Zion he was doing so for his own account. He further testified that he even made a profit on the paper that Friend Paper Company purchased from the mill and resold at a larger price to his father's company. He contends that inasmuch as he, through Friend Paper Company, has been purchasing and selling paper that was marked or otherwise identified with the trademarks here concerned, they somehow have become his trademarks and he has a right to continue to use them. In fact, he has been using several of them in his Pasadena establishment.

The short answer to Wilber's contention is that, whether he knew it or not, during the entire time that he was operating Friend Paper Company in Zion, he was doing so as a fiduciary representative, or a constructive trustee, of H. A. Friend and Company and its owners (the plaintiff). One of the best established principles of law is that a person who is dealing with a business as a partner, or in any other

relationship of trust, may not take for himself any profit or advantage that he might obtain for the firm, without first making full disclosure to all of the owners of the firm and obtaining their full consent. RESTATEMENT OF RESTITUTION § 190 et seq. (1937).

The evidence clearly shows that Wilber made no disclosure to his father or his brothers that he was using Friend Paper Company for his own benefit. Their understanding, which Wilber carefully encouraged, was that he was operating Friend Paper Company as a part of his function as principal manager of H. A. Friend and Company, and that the former was being operated solely for the benefit of the latter.

Under well established fiduciary principles, Wilber acquired no individual rights in or to any of the trademarks with which he was dealing while he was affiliated with H. A. Friend and Company. Insofar as the parties to this action are concerned, the entire rights in and to such trademarks remain in the plaintiff.

One of such trademarks is "Friends", which, as has been mentioned earlier in this memorandum, the plaintiff has been using for many years. In 1957, the plaintiff obtained from the United States Patent Office Registration No. 655, 848 covering this trademark. Insofar as the defendants are concerned, the plaintiff owns the trademark and it is valid and subsisting. The defendants have been infringing the trademark; such infringement has created actual confusion and the likelihood of further confusion; the

defendants will be permanently enjoined from further violations. 15 U.S.C. 1116; Tisch Hotels, Inc. v. Americana Inn Inc., 350 F. 2d 609 (7th Cir. 1965).

The plaintiff also has been using for many years the trademark, "Banner", and has filed with the Patent Office Trademark Application Serial No. 206, 253 for the purpose of registering this mark. The defendants have filed notice of opposition to such application, and the matter is being held in abeyance in the Patent Office pending the outcome of this litigation. For the reasons hereinabove mentioned, the defendants have no right to the use of the word, "Banner", in any form as a trademark; the defendants have been wrongfully infringing that trademark; such infringement has created actual confusion and the likelihood of further confusion; the defendants will be enjoined from further infringement and from further opposing the plaintiff's application for registration.

The plaintiff has been using the trademark, "Barrister Bond", ever since prior to 1926. Trademark Registration No. 274, 875 was issued to Gilbert in 1930 and was renewed for twenty years on September 9, 1950. Gilbert held the registration in trust for the plaintiff until January, 1965, and then formally assigned it to the plaintiff. The assignment was duly recorded in the Patent Office.

From the very outset of their stationery business in Pasadena, the defendants have advertised "Barrister Bond" stationery as being one

of their prime items of merchandise. By so doing, they have infringed the plaintiff's valid and subsisting trademark; such infringement has created actual confusion and the likelihood of further confusion; the defendants will be enjoined from further violations.

In actuality, as the defendants well knew, they were not able to deliver to their customers any paper bearing the "Barrister Bond" watermark, because Gilbert honored the exclusive right of the plaintiff to such trademark and would not sell paper containing it to the defendants. Accordingly, whenever a customer ordered "Barrister Bond" paper from the defendants, the latter would fill the order by shipping paper carrying the watermark, "Bar Bond", which Gilbert was willing to manufacture and supply to the defendants. In his testimony at the trial, Wilber's explanation of this practice was his assertion that "Bar" (even without the period) is simply an abbreviation of "Barrister". This seemed a bit surprising, but the Court feels that, under all of the circumstances, it should accept such explanation. Accordingly, the defendants will also be enjoined from further use of the "abbreviation", namely, "Bar Bond".

THE FALSE DESCRIPTION OF MERCHANDISE

From the time that Wilber first opened its Pasadena business, and until after this litigation was commenced, he caused his corporation to advertise his "Barrister Bond" stationery as containing 100% cotton fibre. He also advertised

his "Friend's Title Linen" as having 50% cotton fibre. In actuality, about 80% of the envelopes that he delivered in response to orders for "Barrister Bond" had a cotton fibre content of 20%, and all but 5% of the "Title Linen" that he sold either contained only 25% cotton fibre, or was made of sulphite, which had no rag content whatever.

According to Wilber's own admission, the relative mill costs per pound of these types of paper are 1000% cotton--60¢; 50% cotton--40¢; 25% cotton--30¢; and sulphite--26¢ and lower.

An officer of Gilbert testified without contradiction that, in general, the usable longevity of paper is measured in years in direct proportion to its rag content, e.g., 100% cotton fibre should last 100 years, 25% cotton fibre--25 years, etc. He also established that the higher the percentage of cotton fibre, the better is the quality of the paper with respect to folding, tearing, erasability, etc.

The plaintiff has contended in its pleading and at the trial that such false description by the defendants of their goods has made them liable to the plaintiff pursuant to 15 U.S.C. 1125(a).*

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* 15 U.S.C. 1125(a) reads in pertinent part as follows:

> "Any person who shall . . . use in connection with any goods . . . any false description or representation . . .

(continued)

This Court agrees with the plaintiff, and holds that the foregoing constitutes another aspect of unfair competition for which the defendants are liable to the plaintiff. The defendants clearly are in competition with the plaintiff in the western states, and anyone who, while purporting to sell merchandise that matches the quality of competing products, actually sells goods of much reduced quality and cost to him, gains an unfair advantage over his competitors. Moreover, and of much greater concern to the plaintiff from the standpoint of damage, is the likelihood that in future years people who have bought stationery from the defendants will become aware of its poor quality and will quietly determine never again to purchase "Friend's" papers. Because of the manner in which the defendants have fraudulently linked their own operation with that of the plaintiff, it is impossible to determine the full extent to which the false descriptions herein concerned have damaged the plaintiff already and will cause further injury in the future.

"Although section 43(a) [15 U.S.C. 1125(a)] makes no reference to injunctive

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* tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, . . . shall be liable to a civil action . . . by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

relief, it is within the general power of a court of equity to grant it." 1 Callmann, Unfair Competition Trademarks and Monopolies, Section 18.2(b) (Third Edition 1967).

The plaintiff is entitled to, and will be accorded, an injunction against further misrepresentations by the defendants concerning the quality of their merchandise. See Chamberlain v. Columbia Pictures Corp., 186 F.2d 923, 924 (9th Cir. 1951).

USE OF THE NAME, FRIEND PAPER COMPANY

The record indicates that when Wilber announced his intention, in 1949, to engage in the wholesale paper business in California, none of his former partners raised any objection to his using the name, Friend Paper Company, in that type of operation. They reasonably concluded that no inherent confusion of identity would result from such an arrangement, inasmuch as the plaintiff's sales have regularly been exclusively at retail to the consumer. Accordingly, nothing in this memorandum is intended to mean that Wilber is to be prevented from using the name, Friend Paper Company, in connection with the business of selling paper at wholesale to stationers and other retailers of paper, in contradistinction to sales made to the user or the consumer. As to the latter types of sales, and in all other respects, the injunctions announced in this memorandum shall apply to Friend Paper Company as

well as to Wilber in all of his other capacities and to the corporate defendant.

THE ABSENCE OF LACHES

The record shows that in April, 1957, Harley A. Friend was made aware that a law firm in Seattle was "taken in" by Wilber's course of conduct in seeking to create the hereinabove described confusion concerning the relationships between the Zion and Pasadena companies. However, he took no action with respect to the matter prior to his death two years later, nor did he inform his other sons, who were his partners, concerning it. Perhaps such inaction stemmed from a father's natural reluctance to conclude the worst concerning his son, or from his hope that the incident reported to him had been an isolated one. In any event, the first knowledge that Richard, Howard or William had of Wilber's fraudulent conduct was in August, 1962, when William went to Albuquerque, New Mexico, on a sales promotion trip and saw the defendants' catalogue in a lawyer's office.

The plaintiff sent to the defendants a demand for discontinuance on August 28, 1963, and after considerable subsequent correspondence, the plaintiff caused a complaint to be filed in the United States District Court for the Eastern District of Illinois late in 1963 or early in 1964. Wilber thereupon persuaded that Court that neither he nor his company had been doing business in Illinois since 1949(!). The complaint was therefore dismissed, and the present action was filed promptly thereafter.

Under these circumstances, the Court finds that the facts show an absence of laches, and discussion of the legal points raised by the parties on this subject becomes unnecessary.

RECOVERABLE DAMAGES AND ATTORNEYS FEES

The record shows beyond doubt that the hereinabove discussed acts of trademark infringement on the part of the defendants resulted in damages to the plaintiff. By means of such acts, the defendants deceived many of the plaintiff's regular customers into transferring their business to Wilber's new Pasadena "Division". In other instances, potential customers of the plaintiff who had heard favorably of the Zion company were misdirected to the defendants as a result of the confusion of identity that the defendants intentionally created. Most of the sales thereby lost by the plaintiff to the defendants quite apparently were small in dollar amount; and to seek to identify each of them through an accounting would be relatively expensive and basically impracticable. However, the Court interpolates and finds from the evidence presented that the plaintiff's actual damages in the respects here under discussion are at least the sum of $5,000.00. The Court further finds that, because of the particular circumstances of the case, including the aggravated nature of the offense and the expense and inconvenience of prosecuting this litigation, judgment should be and will be awarded in three times the amount of actual damages, or $15,000.00, under authority of 15 United States Code, section 1117.

As hereinabove noted, the misrepresentations that the defendants have made in violation of 15 U.S.C. 1125(a) have resulted and will result in substantial injury to the plaintiff, even though the full extent thereof cannot precisely be shown. The Court finds that the plaintiff's damages as a result of such misrepresentations by the defendants are not less than $20,000.00, and judgment in that sum will be awarded.

Inasmuch as the Court has found the defendants' acts to have been wilful and calculated to trade upon the plaintiff's goodwill, the defendants will be ordered to pay to the plaintiff the sum of $30,000.00 for attorneys fees reasonably incurred in this action. National Van Lines v. Dean, 237 F.2d 688 (9th Cir. 1956).

Thus, the total monetary judgment against the defendants and each of them will be $65,000.00, plus costs to be taxed in the usual manner.

It is intended that this memorandum shall constitute findings of fact and conclusions of law, as provided for by Rule 52(a) of the Federal Rules of Civil Procedure. A judgment in accordance herewith is being filed.

DATED: December 5, 1967.

WILLIAM P. GRAY
United States District Judge

FILED
Dec 5 1967
Clerk, U. S. District Court
Central District of California

ENTERED
Dec 5 1967
Clerk, U. S. District Court
Central District of California

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

H. A. FRIEND AND COMPANY, INCORPORATED, an Illinois corporation,

Plaintiff,

vs,

FRIEND AND COMPANY, a California corporation, and WILBER H. FRIEND, individually and doing business as Friend Paper Company,

Defendants.

CIVIL ACTION NO. 64-805-WPG

H. A. FRIEND AND COMPANY, INCORPORATED, an Illinois corporation, Plaintiff, v. FRIEND AND COMPANY, a California corporation, and WILBER H. FRIEND, individually and doing business as Friend and Company, Defendants.	)	CIVIL ACTION NO. 66-470-WPG JUDGMENT

These causes were tried before this Court without a jury, and were taken under submission by the Court at the conclusion of trial. The Court has now prepared findings of fact and conclusions of law which will be filed contemporaneously herewith. In accordance with such findings and conclusions, judgment is rendered as follows:

1. The defendants, Wilber H. Friend and Friend and Company, and each of them, their agents, employees, representatives, subsidiaries, successors or assigns, and all other persons acting under their authority or on their behalf, are hereby permanently enjoined as follows:

(a) From using on, or in connection with the sale, promotion or advertising of, any paper, stationery, or office supplies, any of the following trademarks:

(1) The trademark, "Friends", as shown in United States Patent Office Registration No. 655,848.

(2) The trademark, "Banner", as shown in Patent Office Trademark Application Serial No. 206,253.

(3) The trademark, "Barrister Bond", as shown in United States Patent Office Registration No. 274,875.

(4) The trademark, "Bar Bond", which, according to defendant Wilber H. Friend, is simply an abbreviation of "Barrister Bond".

(5) Any other trademark of which any of the hereinabove mentioned trademarks is a part, or which is phonetically or otherwise confusingly similar to any of the hereinabove mentioned trademarks.

(b) From contesting or otherwise opposing the plaintiff's application (Trademark Application Serial No. 206,253) for registration of the trademark, "Banner".

(c) With respect to any business or activity involving the sale of paper of any kind to the consumer, from using the word, "Friend", in any manner or form, as a trade name, unless:

(1) It is directly preceded by the word, "Wilber", in letters of the same size and style; and

(2) It is closely accompanied by the parenthetical phrase, "Not affiliated with H. A. Friend and Company of Zion, Illinois".

Provided, however, that nothing herein shall prevent the defendants from using the name, "Friend Paper Company", in connection with the business of selling paper at wholesale to stationers and other retailers of paper, in contradistinction to sales made to the user or the consumer.

(d) From advertising or in any other manner asserting or implying that the defendants' business began at any time prior to 1950, or that it had or has any relationship with Zion, Illinois, or that it or its Pasadena establishment is a division of any other company.

(e) From selling stationery of any kind that shall be of lower or different quality, either in cotton fibre content, or otherwise, than the defendants shall in any manner have advertised concerning it.

2. The plaintiff is awarded monetary judgment against the defendants, and each of them, as follows:

(a) As damages due to the defendants' acts of unfair competition and trademark violation -- $15,000.00.

(b) As damages due to the defendants' acts of false description and misrepresentation of its merchandise (15 U.S.C. 1125(a)) -- $20,000.00.

(c) For attorneys fees reasonably incurred in prosecuting these actions -- $30,000.00.

3. The defendants are directed to file with the Court, within forty-five (45) days after receipt of service of a copy of this Judgment, a report under oath setting forth in detail the manner and form in which the defendants have complied with this Judgment.

4. The plaintiff shall recover its court costs incurred in this action, which shall be taxed in the usual manner.

5. The clerk is directed to serve copies of this Judgment and of the findings of fact and conclusions of law upon the parties by mailing such copies to their respective attorneys.

DATED: December 5, 1967.

WILLIAM P. GRAY
United States District Judge

APPENDIX "B"

APPENDIX "B"

Provisions of the United States Constitution

The Constitution of the United States of America,

Article 1, Section 8, Clause 3.

> The Congress shall have the power . . . To regulate Commerce with the foreign nations, and among the several States, and with the Indian Tribes.

Statutory Provisions

15 U.S.C. 1114(1) Remedies -- Infringement

> Any person who shall, without the consent of the registrant --
>
> (a) use in commerce any reproduction, counterfeit, copy. or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit,

copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services, on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

15 U.S.C. 1117 Remedies -- Recovery for viola- of rights

When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only;

defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

15 U.S.C. 1125a False designations of origin and false descriptions forbidden

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false descriptions or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, any person who shall with knowledge of the falsity of such designation or origin or description or representation cause or procure the same to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such

false description or representation.

15 U.S.C. 1126b. Nationals of foreign countries which have treaties with the United States -- Applicability of Act to

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act.

15 U.S.C. 1126(g) Nationals of foreign countries which have treaties with the United States -- Trade names or commercial names protected

> Trade names or commercial names of persons described in paragraph (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

15 U.S.C. 1126(h) Same -- Protection against unfair competition

Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C. 1126(i) Same -- Citizens or residents of United States to have same rights

Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in paragraph (b) hereof.

15 U.S.C. 1127 Construction of definitions

In the construction of this Act, unless the contrary is plainly apparent from the context:

. . . . .

Intent of Act. The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect

registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations or registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

California Business & Professions Code. § 17082, Injury and damages: Award of attorney's fees and costs of suit: Applications of amendments to this section.

In any action under this chapter, it is not necessary to allege or prove actual damages or the threat thereof, or actual injury or the threat thereof, to the plaintiff. But, in addition to injunctive relief, any plaintiff in any such action shall be entitled to recover three times the amount of the actual damages, if any, sustained by the plaintiff, as well as three times the actual damages, if any, sustained by any person who has assigned to the plaintiff his claim for damages resulting from a violation of this chapter.

In any action under this chapter in which judgment is entered against the

defendant the plaintiff shall be awarded a reasonable attorney's fee together with the costs of suit.

The amendments to this section adopted at the 1959 Regular Session of the Legislature do not apply to any action commenced prior to September 18, 1959.

California Civil Code. § 3369. Relief not granted to enforce penalty, forfeiture or penal law: Exceptions: Unfair Competition enjoinable: Definitions: Who may prosecute actions.

2. Unfair Competition enjoinable. Any person performing or proposing to perform an act of unfair competition within this State may be enjoined in any court of competent jurisdiction.

3. Definitions. As used in this section, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, untrue or misleading advertising and any act denounced by Business and Professions Code Sections 17500 to 17535, inclusive.

Federal Rules of Civil Procedure

Rule 9. Pleading Special Matters

. . . . .

(g) Special Damage. When items of special damage are claimed, they shall be specifically stated.

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No. 941

In the
Supreme Court of the United States
OCTOBER TERM, 1969

FRIEND AND COMPANY
and WILBER H. FRIEND,
Petitioners,

vs.

H. A. FRIEND AND COMPANY, INC.,
Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

JOHN C. BREZINA
33 North Dearborn Street
Chicago, Illinois 60602
Attorney for Respondent

The Scheffer Press, Inc.—ANdover 3-6850

TABLE OF CONTENTS

	PAGE
JURISDICTION	1
QUESTIONS PRESENTED	3
STATEMENT OF THE CASE	4
ARGUMENT	7
ATTORNEY'S FEES	11
MISREPRESENTATIONS AS TO PAPER QUALITY	13
COMPUTATION OF DAMAGES	15

CASES CITED

Audio Fidelity, Inc. v. High Fidelity Recordings, Inc., 305 F. 2d 86, 134 USPQ 93 (9 Cir. 1962)	12
Bigelow v. RKO Radio Pictures, Inc., 327 U.S. 251, 66 S. Ct., 574, 580, 90 L. Ed. 652	16
Chamberlain v. Columbia Pictures, Corp., 186 F. 2d 923	15
Eastman Kodak Company v. Southern Photo Materials Company, 273 U.S. 359	16
Fleischmann Distilling Corp. v. Meier Brewing Co., 314 F. 2d 149	11, 12
Fleischmann Distilling Corp. v. Meier Brewing Co., 386 U.S. 714, 18 L. Ed. 2d 475, 87 S. Ct. 1404	11
Hesse v. Grossman, Cal. App. 313 P. 2d 625, 629 (1957)	14
McCord v. Plotnick, 108 Cal. App. 2d 392, 239 P. 2d 32 (1951)	14

PAGE

Meier Brewing Co. v. Fleischmann Distilling Corp., 359 F. 2d 156 (9 Cir. 1966) 11

Morales v. City of Galveston, 370 U.S. 165 16

National Van Lines, Inc. v. Dean, 237 F. 2d 688, 111 USPQ 165 (9 Cir. 1956) 12

Pecheur Lozenge Co. v. National Candy Co., Inc., 315 U.S. 666, 86 L. Ed. 1103, 62 Sup. Ct. 853 (1942) 371 6

Sprague v. Ticonic National Bank, 307 U.S. 161 (1939) 13

Story Parchment Co. v. Paterson Parchment Paper Co., 282 U.S. 555, 562, 563, 51 S. Ct., 248, 250, 75 L. Ed. 544 16

Textron Inc. v. Spi-Dell Watch and Jewelry Co., Inc., 406 F. 2d 544 12

Universal Pictures Co. v. Harold Lloyd Corporation, 162 F. 2d 354 (CA 9 1947), 15 U.S. § 1117 16

STATUTES

California Business and Professional Code § 3294 ....12, 13

California Civil Code § 17082 .....16, 17

Committee on Patents, Subcommittee on Trademarks, House of Representatives, 76 Cong. First Session on H.R. 4744 9

Lanham Act §§ 1125, 1126 9

Restatement of Torts 14

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JURISDICTION

Jurisdiction of the lower courts in this case was stated by the Court of Appeals to be:

> ". . . based upon the Federal Trademark Act of 1946, the Lanham Act, 15 U.S.C. §1121 and upon 28 U.S.C. §1338. Diversity jurisdiction, 28 U.S.C. §1332, was

also alleged. On March 16, 1966, while that case was still pending, plaintiff appellee filed the second suit here appealed, charging appellant with misrepresentation and false advertising. Lanham Act and diversity jurisdiction were invoked. Jurisdiction in this court for the combined appeal and cross-appeal is based upon 15 U.S.C. §1121."

This is an action involving multiple issues falling in the field of unfair competition, some of which come within the scope of, and are proscribed by the Federal Trademark Act of 1946, the Lanham Act—and other issues based on difierent facts, which do not. The latter constitute independent causes of action for unfair competition at common law and which are also proscribed by statutes of the forum state, California. These non-Lanham Act causes of action provide substantial support for the decisions below on the points involved herein.

Petitioner has failed to comply with Rule 23 (1)(g) of this Court which requires a petitioner to state the jurisdictional basis for the decisions of the lower Federal Courts. Respondent does not point to this merely as a "technical" violation of the Rules but because this omission shows an effort to cover up the fundamental flaw in Petitioner's argument—the fact that there are substantial, independent, non-Lanham Act causes of action and diversity and pendent jurisdiction over those causes under 28 U.S.C. §1331 & 1338.

QUESTIONS PRESENTED

(1) In an action involving intentional and deliberate acts of unfair competition giving rise to both Lanham and non-Lanham Act causes of action, is an award of partial attorney's fees precluded under state law, solely because plaintiff receives some damages and injunctive relief under the Lanham Act for trademark infringement and misrepresentation of goods but where substantial relief is given for the independent acts of unfair competition under state law on the non-Lanham Act causes of action.

(2) Does the Lanham Act preclude granting of remedies under state law for all species and types of unfair competition other than the three species of unfair competition for which remedies are provided in the Lanham Act, infringement of a federally registered trademark, misrepresentation of the nature of goods, and rights arising under treaties or conventions with certain foreign nations.

(3) Is it proper for this Court to review construction of a statute whose terms are clear and unambiguous where the differences in results in different Courts of Appeals are due solely to factual differences in the respective cases.

(4) Is there any basis for Supreme Court review of the factual question of the amount of a damage award where the District Court had before it the evidence that defendant took business away from plaintiff by its misrepresentations and acts of unfair competition, including accounting records showing the quantity of purchases of such companies before and after the taking and where such findings were reviewed by and affirmed by the Court of Appeals.

STATEMENT OF THE CASE

Petitioner, in its zeal to pursuade this Court that this is purely a Lanham Act case, makes some rather astounding misstatements of what this case involves. On Page 9, Section I it makes the statement that this was a case

> "in which all relief was under the Lanham Act".

On Page 11, it states, below the quote in the middle of the page,

> "in the present cases, the entire judgment was within the Lanham Act, namely the injunction against infringement of the trademarks 'Friends', 'Barrister Bond' and 'Banner' ".

The falsity can be demonstrated by a reading of the decisions of the Courts below and more specifically the Judgment of the District Court, reproduced at Pages A43-A45 in the Appendix attached to the Petition herein. Sections 1(a)(2), 1(c) and 1(d) have nothing to do with the Lanham Act and are based on state common law and statutes proscribing other types of unfair competition.

The same is clear from a reading of Petitioner's "Concise Statement of the Case". On Page 5 of Petitioner's brief, the second paragraph lists the trademarks which were infringed, and clearly concedes that "Banner" is an *unregistered* mark and concludes with the sentence "Other causes of action presented are not material to the matters presented here". These "other causes of action" relate to Petitioner's multi-faceted campaign of unfair trade practices separate from the issues of infringement of registered trademarks under the Lanham Act and not only are material here but are the very basis of the rulings of the lower courts being challenged by Petitioner.

As is apparent from the title of the case, one of the primary issues is unfair competition by use of a confusingly similar trade name (company name). Other non-Lanham Act issues include false representations in catalogs, and promotional materials, such as putting the words "Western Division" after Petitioner's name, when it had only one place of business in California; using the phrases such as "since 1908" and "In business in every state since 1908" when these statements were true only of Respondent; using a map of the United States in its catalog showing an asterisk in the area of Chicago, Illinois, where Respondent is located and referring to it as Petitioner's "General Offices" when it had no place of business other than California, and many other acts of unfair competition, including the infringement of Respondent's common law trademark, "Banner", most of which are set forth in the portion of the District Court's decision entitled "Unfair Competition", (Petitioner's Appendix beginning at page A26).

In addition, there were many oral misrepresentations by Wilber Friend which deceived customers of Respondent to believe that Petitioner was a part of, or affiliated with Respondent and which resulted in business being taken away from Respondent.

Petitioner's program of unfair trade practices was not only deliberate and intentional but was malicious. In one transaction, Petitioner, Wilber Friend, corresponded with a law firm in Tucson, Arizona, which was buying from both parties, thinking they were the same organization. The secretary ordered some products from Petitioner and asked for a quotation on business cards, which they had theretofore obtained from Respondent. Wilber wrote the secretary quoting a price for the cards and said there would be an additional charge of $10.00 for the engraving die. The secretary wrote back saying they already had

an engraving die at "the Zion, Illinois branch of your organization" and suggested that Wilber get the die from "Zion" or, alternatively, she could order the cards from "Zion". In a deliberate effort to mislead the customer and to take over this business, Wilber wrote back falsely stating that he was obtaining the die from the "Zion branch", made a new die himself at his own expense, and filed the order. (RT 106, EX 207, RT 111, 151)

Respondent is aware that this Court is primarily concerned with fundamental and important issues of law and not evidentiary details. However, respondent relates the facts to demonstrate what issues and causes of action were in this case and therefore what questions of law really were present which formed the basis for the decision of the lower Courts. Plainly and simply, there were substantial causes of action and issues of unfair competition separate from the Lanham Act causes of action and issues, which the lower courts properly decided under California law of unfair competition. *Pecheur Lozenge Co.* v. *National Candy Co., Inc.,* 315 U.S. 666, 86 LEd 1103, 62 Sup.Ct. 853 (1942), 371.

The only relationship of the Lanham Act issues to the unfair competition issues described above and in the decisions of the lower courts is that they form a part of a malicious and deliberate plan to trade on Respondent's goodwill.

Petitioner has not appealed the major injunctive provision. Petitioner's real motives in seeking this writ are plain—Wilber Friend has cheated and defrauded his family, his business partners, and his customers for over two decades. He has now been caught and it galls this clever commercial pirate, who no doubt derived great perverse satisfaction from "taking" the legal profession, to now have to pay out some of his ill gotten gains.

ARGUMENT

Petitioner's arguments, reduced to its essence is, that because Congress passed the Lanham Act all state law of unfair competition, both common law and statutory, simply ceased to exist. According to Petitioner, this would be true not only as to causes of action under state law based on the same facts as the Lanham Act cause of action, but on all causes of action involving acts of unfair competition having no relationship to the facts or remedies to which the Lanham Act relates.

Congress, in passing the Lanham Act, was fully aware that the law of unfair competition was far broader in scope than the subject matter to which the Lanham Act related. In the Senate report to the 79th Congress, second session, dated May 14, 1946, it was stated:

> There is no essential difference between trade-mark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trade-mark infringement is one of the species; "the law of trade-marks is but a part of the broader law of unfair competition" (*United Drug Co.* v. *Rectanus,* 248 U. S. 90, 97). All trade-mark cases are cases of unfair competition and involve the same legal wrong. As Mr. Justice Pitney observed in *Hanover Star Milling Co.* v. *Metcalf* (240 U. S. 403, 412):
>
> The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. * * *
>
> This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement.
>
> The protection accorded trade-marks is merely protection against swindling.

In contrast to petitioner's erroneous statement (see petitioners brief p. 17), the purposes of the Lanham Act were stated on page 5 of the same report:

> This bill attempts to accomplish these various things:
>
> 1. To put all existing *trade-mark* statutes in a single piece of legislation.
>
> 2. To carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their *marks* to which they are entitled. Although it has solemnly pledged at inter-American conventions to do so, the United States has failed adequately to protect owners of *trade-marks* in the other American countries doing business with this country. As a result of this inaction, our business organizations have not received reciprocal advantages in the other Americas. The bill remedies this matter, eliminates these sources of friction with our Latin-American friends, and will facilitate mutual trade in this hemisphere. These features make this bill of primary importance now.
>
> 3. To modernize the *trade-mark* statutes so that they will conform to legitimate present-day business practice.
>
> 4. To remedy constructions of the present acts which have in several instances obscured and perverted their original purpose. These constructions have become so ingrained that the only way to change them is by legislation.
>
> 5. Generally to simplify *trade-mark* practice, to secure trade-mark owners in the goodwill which they have built up, and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions. (emphasis added)

Obviously the remedies provided in sections 33-36 inclusive, (15 U.S.C. §1114-1118) relate to claims of infringement of trademarks registered under the act. In addition, there are two categories of tortious acts of unfair competition for which civil liability is defined by the act. Section 43 (15 U.S.C. §1125) is entitled "False Designations of Origin and False Descriptions Forbidden", and section 44, (15 U.S.C. §1126), applies to rights of nationals of foreign countries which have treaties with the United States, giving them under certain conditions rights relating to "trade or commercial names, or the repression of unfair competition" and gives United States citizens reciprocal rights to those of the nationals or foreign countries defined by section 44(b).

While section 44 speaks in terms of unfair competition, it is, by its expressed terms, limited to situations tied in with persons entitled to assert claims under certain treaties or conventions with foreign countries.

The comment of Mr. Lanham on section 45, later becoming section 44, following the printed section of the bill, also on page 163 was as follows:

> "Title IX has to do with the International Convention, and that is all included within one section, so we will consider that title in its entirety. Are there any suggestions with reference to title IX?"

It is clear from the history of the congressional proceedings which led up to the passage of the Lanham Act that Congress never intended to provide for a federal law covering all acts of unfair competition. In the report of the hearing before the *Committee on Patent, Subcommittee on Trademarks, House of Representatives,* Seventy-Sixth Congress, First Session on H. R. 4744 a. predecessor bill, dated March 28-30, 1939, is set forth at

page 163, the predecessor section to what ultimately became section 44 of the Lanham Act appears. It had a subsection G, which then preceded what is now section 44(i) of the Lanham Act, which read as follows:

> "(g). All acts of unfair competition in commerce are declared to be unlawful and the provisions of section 32 to 35 inclusive shall be applicable thereto."

It is obvious from a comparison of the bill as it stood in 1939 with the Lanham Act section 44 as passed, that Congress deleted the above quoted section (g) relating to "all acts of unfair competition" and therefore limited it to unfair competition relating to national treaties and conventions. A reading of the comments indicated that the reason for ultimate deletion of the prohibition of "all unfair competition" was that it was too vague, difficult in definition and represented many difficult jurisdictional problems. A leading lawyer in the field of unfair competition, Mr. Rogers, commented in response to a proposed definition of unfair competition at page 165 of the above transcript as follows:

> "Now perhaps some place could be found for an added section to give Mr. Byerly's very excellent definition of unfair competition. The difficulty is however that unfair competition is what Louis Carroll used to like to call a 'portmanteau' word—it means a lot of things, and it means different things to different people, and the minute you attempt to define it you limit it, just as you limit 'fraud' when you attempt to define it."

Certainly to accept petitioner's position that the fact Congress passed the trademark Lanham Act precluded application of any state unfair competition laws on unfair competition causes of action independent of those of which remedies are provided by the Lanham Act, would

be to say that Congress pre-empted the field of unfair competition by accident. It is believed the essence of pre-emption is a clear showing of deliberate intent to pre-empt by the Congress. The terms and history of the Lanham Act rebut any such contention.

ATTORNEY'S FEES

Petitioner's points 1, 2, and 3 attack the District Court's allowance of $30,000 in attorney's fees, which is approximately one half of the attorney's fees and litigation expenses actually incurred. (CT 454-458) As previously pointed out, there are substantial independent causes of action in this case having nothing to do with the Lanham Act, the determination of which are controlled by California law, which is the basis for allowing attorney's fees. In order to spur the court into reviewing the decisions of the courts below, petitioner speaks in terms of the lower court "overcoming" the rule of the *Fleischmann* case on attorney's fees. (*Fleischmann Distilling Corp.* v. *Maier Brewing Corp.*, 359 F.2d 156, aff'd 386 U.S. 714, 18 L.Ed. 2d 475, 87 S.Ct. 1404) The Court of Appeals that decided this case was the same Court of Appeals that decided the *Fleischmann* case en banc disallowing attorney's fees under the Lanham Act, which was later affirmed by this Court. The Court of Appeals was perfectly aware of the nature and extent of the holding of the *Fleischmann* case, and it recognized in this case that it would have been incorrect to allow attorney's fees under the Lanham Act. However, this does not mean that attorney's fees could not be awarded under California law in a case which had substantial, independent causes of action under California law.

The *Fleischmann* case necessarily was limited to a pure Lanham Act issue. The first appeal in the *Fleisch-*

mann case, (*Fleischmann Distilling Corp.* v. *Maier Brewing Corp.*, 314 F2d 149) was from a judgment by the District Court for the *defendants* finding no trademark infringement or unfair competition. The Court of Appeals found that there was infringement under the Lanham Act only. Summarizing its conclusion on the first appeal, the court stated at 314 F.2d 161:

> "And because we have found adequate legal support for our conclusion in the Lanham Act, we do not consider here the appellants' argument that the California law, statutory and decisional, compels the same conclusion."

If there was any doubt that the issues of unfair competition and California law were judicially excised before the matter of attorney's fees came up, this court made it plain that certiorari was granted to construe a particular section of the Lanham Act. The *Textron* case (*Textron, Inc.* v. *Spi-Dell Watch and Jewelry Co., Inc.*, 406 F.2d 544) cited by petitioner was simply one where the trademark issues under the Lanham Act and the unfair competition issues were based on the same cause of action, that is, on the same set of facts, or one where the court did not believe that attorney's fees could be allowed under the applicable state law.

It is clear that the Court of Appeals below in this case affirmed the allowance of attorney's fees because there were substantial non Lanham Act causes of action, following its decision in *Audio Fidelity, Inc.* v. *High Fidelity Recordings, Inc.*, 305 F.2d 86, 134 USPQ 93 (9 Cir. 1962), and *National Van Lines, Inc.* v. *Dean*, 237 F.2d 688, 111 USPQ 165 (9 Cir. 1956). It is also clear from the decisions of the District Court and the Court of Appeals that the California statute cited by the Court of Appeals, Section 17082 of the *California Business and Professional*

Code was an independent basis for allowing attorney's fees, but not the sole ground for allowing such attorney's fees under California law. The reference to §17082 could have been deleted and the Court of Appeals statement of California law would still be correct.

In *Sprague* v. *Ticonic National Bank,* 307 U.S. 161 (1939), this court allowed attorney's fees to be granted a successful party in a case of variation of "common fund" situation, that is, where the party receiving the attorney's fees successfully established a precedent which could be used by others having a similar claim against the defendant. This situation is present here because in establishing that this petitioner defrauded its customers by paper cheating, whether it be considered a violation of the Lanham Act or California statute or common law which all proscribe the same acts, forms a basis on which these customers, and competitors of Petitioner could recover. The frauds committed on its customers by Petitioner taken individually, are relatively small in dollar amount and would not justify court litigation to recover for the fraud in absence of such precedent. Further, some of Petitioner's customers who were defrauded where governmental bodies, such as Maricopa County, Arizona, which purchased stationery for all of the State Court Judges from petitioner and are thus put in an advantageous position by reason of the precedent which would make it much easier for this governmental body to recover from petitioner.

Misrepresentations as to Paper Quality

Both parties sold paper and stationery primarily to law offices and both relied heavily on catalogs, describing the paper, letter head, etc., and containing samples thereof. Both parties did most of their business by mail. For at

least 10 years petitioner was defrauding its customers and unfairly competing with respondent and others by furnishing lower grades of paper than represented in its catalog. In petitioner's catalog, "Barrister Bond" was represented to be 100% cotton fibre paper and stationery. (Respondent also used the same mark for over forty years to identify its 100% cotton fibre line). When one of petitioner's customers ordered "Barrister Bond" letterhead and matching envelopes, the letterhead was 100% cotton fibre, but the envelopes were made of 25% cotton fibre paper, which cost petitioner one half the price of 100% cotton fibre paper. The "Barrister Onionskin" was 75% cotton fibre paper.

Petitioner's line of office and letterhead paper sold under the "Title Linen" mark was represented in the catalog to be 50% cotton fibre. With the exception of two small purchases of 50% cotton fibre, amounting to less than two per cent of its purchases, all of the "Title Linen" paper delivered to petitioner's customers was 25% cotton fibre paper. Petitioner paid about 25% less for the 25% cotton fibre paper than the 50%. Petitioner's "Title Linen" envelopes were substantially all of "sulphite" grade on which petitioner saved considerably more than 25% in paper costs. See the District Court's Memorandum of Decision at pp. A35-A38 of the Petition herein.

The courts below found that this constituted a misrepresentation which came within the misrepresentations proscribed by section 43(a) of the Lanham Act 15 U.S.C. 1125(a). Misrepresentations of this sort are also actionable at common law, and under California statute. *Restatement of Torts,* section 761, *Hesse* v. *Grossman,* Cal. App. 313 P. 2d 625, 629 (1957), *McCord* v. *Plotnick,* 108 Cal. App. 2d 392, 239 P. 2d 32 (1951).

Petitioner claims there is a conflict between circuits as to this section of the Lanham Act in that some circuits

require showing of "passing off" in order to give relief under section 43(a) and others do not. These arguments do not appear to be of any consequence here because:

(a) The alleged "conflicts" are merely different results because the decisions are based on substantially different fact situations;

(b) The court's statement as to passing off in the *Chamberlain* case (*Chamberlain* v. *Columbia Pictures Corp.*, 186 F.2d 923) was dicta and even if it wasn't dicta, the Court of Appeals did not follow *Chamberlain* in this case; and

(c) While not mentioned by the Courts below because it was unnecessary, there is abundant evidence of passing off in this case, i.e., substituting the goods of one trader for those of another, to support a finding that there was "passing off" as a matter of fact.

Computation of Damages

In attacking the District Court's computation of damages, petitioner is, of course, attacking in this court findings of fact. On page 27 of its brief, petitioner states that "there is no evidence as to how much business these two diverted customers or any other customers gave to petitioners". This statement is completely false. In the first place, substantially all of the 30 confusion witnesses whose depositions were in the record and are referred to on page 27 of petitioner's brief, plus a witness who testified in court, were customers of Respondent who, because they were confused shifted their business over to Petitioner. Furthermore, there was voluminous documentary evidence in the form of letters, orders and customer ledger sheets showing the quantum of business done by these customers e.g., trial record, pgs. 305, 306; ex. 308, 309, both when they were doing business with Respondent and later when they did

business with petitioner. From these records and Wilber Friend's own testimony as to markups and profits, it was a relatively simple matter for the District Court to compute lost sales. Petitioner has shown nothing to demonstrate that the Court findings were clearly erroneous. See *Morales* v. *City of Galveston,* 370 U.S. 165, 168 (1961).

On the matter of determination of damages due to injury to Respondent's business reputation, it is clear that Petitioner was using respondent's trademark, a confusingly similar trade name and committing numerous other acts attempting to tie itself in with Respondent, all while it was cheating on paper quality. The fact of damage can be clearly inferred from this situation, but it also has been specifically shown on the record. Mrs. Muriel Leder testified that she bought paper and stationery for a relatively large law firm in Albuquerque, New Mexico from respondent after petitioner, Wilber Friend, called on her and misrepresented that he was the Western Division of respondent along with the use of confusingly similar literature, marks, etc.. Thinking she was dealing with Respondents "Western Division," she gave one order to Wilber Friend. She testified that after she was dissatisfied with the petitioner's products, she ceased to do business with *both* petitioner and respondent because of the dissatisfaction. (EX 250, RT 196)

The damage awards it clearly proper under principles set forth in *Story Parchment Co.* v. *Paterson Parchment Paper Co.,* 282 U.S. 555, 562, 563, 51 S.Ct., 248, 250, 75 L. Ed. 544; *Bigelow* v. *RKO Radio Pictures, Inc.,* 327 U.S. 251, 66 S.Ct. 574, 580, 90 L. Ed., 652; *Eastman Kodak Company* v. *Southern Photo Materials Company,* 273 U.S. 359; see also *Universal Pictures Co.* v. *Harold Lloyd Corporation,* 162 F.2d 354 CA 9 1947), 15 U.S. section 1117. Further, Section 3294 of the *California*

Civil Code allows a court to assess damages it determines appropriate apart from any actual damages in cases involving oppression, fraud or malice, express or implied.

It is also respectfully submitted that damages be assessed petitioner pursuant to Rule 56(4) of this court because of petitioner's obvious filing of this petition for delay and arguing of matters lacking real substance, as evidenced, among other things, by its misstating and omission of salient facts relating to the case and the nature of the decisions below. It would appear to be appropriate to remand to the District Court for assessment of the damages due to delay because, at a hearing before the District Court on December 29, 1969, the District Court indicated it might be favorably disposed to grant a motion finding petitioner in contempt based on documentary evidence showing that petitioner has continued to refer to, during the pendency of the appeals, the catalogs bearing the infringing trademarks, misrepresentations as to paper quality, etc., described in the District Court's decision. Petitioner has never prepared or sent out a replacement catalog for the infringing catalogs in the approximately 2 years since the decision of the District Court. An appropriate motion will be filed and heard shortly in the District Court. For the foregoing reasons it is respectfully requested that the Petition for Writ of Certiorari be denied.

Respectfully submitted,

JOHN C. BREZINA
33 North Dearborn Street
Chicago, Illinois 60602
Attorney for Respondent